CMS
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Emerging Europe M&A Report

2021/22

In cooperation with
EMIS
In, On and For Emerging Markets

January 2022

Acting on headline deals in emerging Europe

In 2021, CMS was the most sought after legal advisor in emerging Europe. Our deals included:

InPost
Advised Polish parcel locker operator InPost and its majority shareholder Advent International on InPost's listing on the Euronext Amsterdam Stock Exchange.

Porsche
Advised Porsche on setting up a joint venture with Rimac Automobili from Croatia that incorporates Bugatti Rimac, the new hypercar manufacturer and on acquiring a majority stake in the e-bike manufacturer Greyp Bikes.

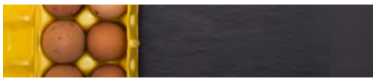
Rohlik.cz
Advised Partech, Quadrille, EBRD, J&T and Index Ventures with their participation in EUR 190m Series B and the EUR 100m Series C fundraising for Czech online grocery business Rohlik.cz

CEE Equity Partners
Advised CEE Equity Partners on the sale of Invitech to 4iG, the sale of Energy 21 to Enery Development and the sale of Budapest Metropolitan University to Central Europe Alfa Asset Management.

AnaCap Financial Partners
Advised AnaCap, a leading financial services specialist mid-market private equity investor, on the sale of Equa bank to Raiffeisen Bank International.

Metlife
Advised Metlife on the USD 695m sale of its Polish and Greek subsidiaries to NN Group.

West Ham United
Advised 1890s holdings, a Czech investment group owned by businessmen Daniel Křetínský and Patrik Tkáč, on the acquisition of a 27% stake in London premier league football club West Ham United.



Spearhead
Advised on the sale to AMC Capital IV, advised by Accession Capital Partners, and debt restructuring of Spearhead, one of the leading vertically integrated food and agriculture businesses operating in the UK and the EU.

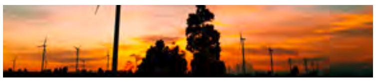
Neqsol
Advised Vodafone Ukraine and its parent company, Neqsol Holding, on the acquisition of Vega Telecom, which provides integrated telecommunications solutions in Ukraine.

Sensilab
Advised Sensilab from Slovenia on the disposal of Sensilab farmacevtska družba to Vision Healthcare.

Raiffeisen Bank International
Advised Raiffeisen Bank International on the acquisition of all shares in the Serbian subsidiary of Credit Agricole.

Partners in Pet Food
Advised Cinven-backed Partners in Pet Food on its acquisition of Polish pet food producer Mispol from Lithuania-based NDX.

ALPLA Werke
Advised ALPLA Werke on its acquisition of Wolf Plastics, with its main production sites in Hungary and Romania, the establishing of a PET recycling JV in Romania and its investment into Panara in Slovakia.



Ignitis
Advised Lithuanian Ignitis on the acquisition of a wind farm project in southern Poland with a total capacity of 50MW from a Polish investment fund.

Equinor
Advised Norwegian energy company Equinor on the approx. EUR 100m acquisition of Polish onshore renewables developer Wento, and its 1.6-GW solar project pipeline from Enterprise Investors.

Contents

Scaling new heights?

Following global trends, the M&A market in emerging Europe surged in 2021—more money was spent on acquisitions and investments than in any of the previous seven years. After a relatively poor showing in 2020, transaction volume also bounced back to pre-pandemic levels. Not only did direct acquisitions and investments fare well, but stock market listings also reached unprecedented levels. Has the M&A market in emerging Europe scaled new heights?

Welcome to the 2021/22 edition of the Emerging Europe M&A report.

Overall deal value was up 55.1% year-on-year to EUR 94.27bn, making it the best year since 2013. The region has now experienced five consecutive quarters with deal values well over EUR 20bn. The availability of cash, low interest rates, and competition between bidders all seem to have lowered buyers' price sensitivity.

The top ten deals last year all exceeded EUR 1bn in value and cumulatively totalled EUR 29.2bn, with Norton's EUR 7.3bn takeover of Avast taking the crown. The 116 IPOs of companies in the region raised EUR 13.47bn.

With 2,015 transactions, deal numbers exceeded those of 2019 (1,958). However, looking at the trend at that time, annual dealflow in the region had settled at around 2,000 deals a year, giving the impression that not all pent-up activity was fully realised in 2021. The recovery was also not equally spread among all countries and sectors, and there are both positive and negative outliers.

Telecoms & IT (450 deals) has cemented its position as the busiest sector, surpassing Real Estate & Construction (340), which is seeing signs of recovery, by quite a margin. Rapid developments in technology and consumer preferences have forced companies in the Telecoms & IT sector to transform themselves, and M&A is a natural part of that process. In this report, we analyse the transformation of telecoms companies and take a look at the development of data centres, where Norway can give us a vision of emerging Europe's future.

Although Covid-19 is still high on the news agenda, other important global themes emerged during the year, including Environmental, Social and Governance (ESG) and energy security. ESG has now become a consideration for all institutional investors and multinationals in their businesses, including M&A. Following COP26 and the EU's Fit for 55 package, the energy sector's transition is leaving a particularly visible impact on deal activity. The EU's taxonomy for the package, which is still under discussion, could influence the attractiveness to investors of some of the region's energy assets.

We spoke to the four founding partners of EnerCap Capital Partners, which have been investing in renewable energy in the region for more than 15 years, about how regulation has shaped the sector and how the latest trends and development might impact its future.

Private equity investment also reached record heights, involved in 399 deals (up 25.1%), which constituted almost 20% of the entire deal volume. Private equity not only drives deal activity, it is also a catalyst for change. We discussed the ways in which PE drives ESG

values and policies through its investments in emerging Europe with EBRD and Advent International. Financial investors that focus on ESG-driven investment and who seek to raise funds from International Development Banks, may be well advised to consider establishing their next fund through Luxembourg; more details on that can be found in an article in this report.

With our panel of CMS experts, we also reflect on the stunning number of stock market listings in the last 12 months. Six out of the ten largest IPOs of companies from the region happened on international exchanges, including Amsterdam, London and New York, where they raised nearly EUR 7bn. The largest listings in the region were those of Pepco Group and Huuuge Games in Warsaw as well as United Medical Group in Russia. The panel looks at what drives companies in the region to go public and what the benefits are of listing on either a domestic or an international exchange. We also take a closer look at the development of public takeovers in the Southern Balkans.

The list of foreign investors coming to the region is led by the US both in terms of volume and value, with 154 deals totalling more than EUR 9bn. In addition to western European markets, Middle Eastern origination markets also continue to do well. The United Arab Emirates have secured the tenth spot in most active foreign investors, and Israeli investors also remain active. We look at what is driving investments from these origination markets.

The future has become increasingly difficult to predict. Just as we have come to live with Covid-19 and restrictive measures, which no longer seem to have a big impact on global M&A flows, we are facing inflation of historic levels, energy supply concerns, increasing political unrest and rising interest rates. Having said that, investment funds still have deep pockets and are in need of putting their money to work—and M&A remains one of the preferred ways for corporates to bring about business transformation in these fast-changing times. In all of this, emerging Europe continues to offer numerous opportunities.

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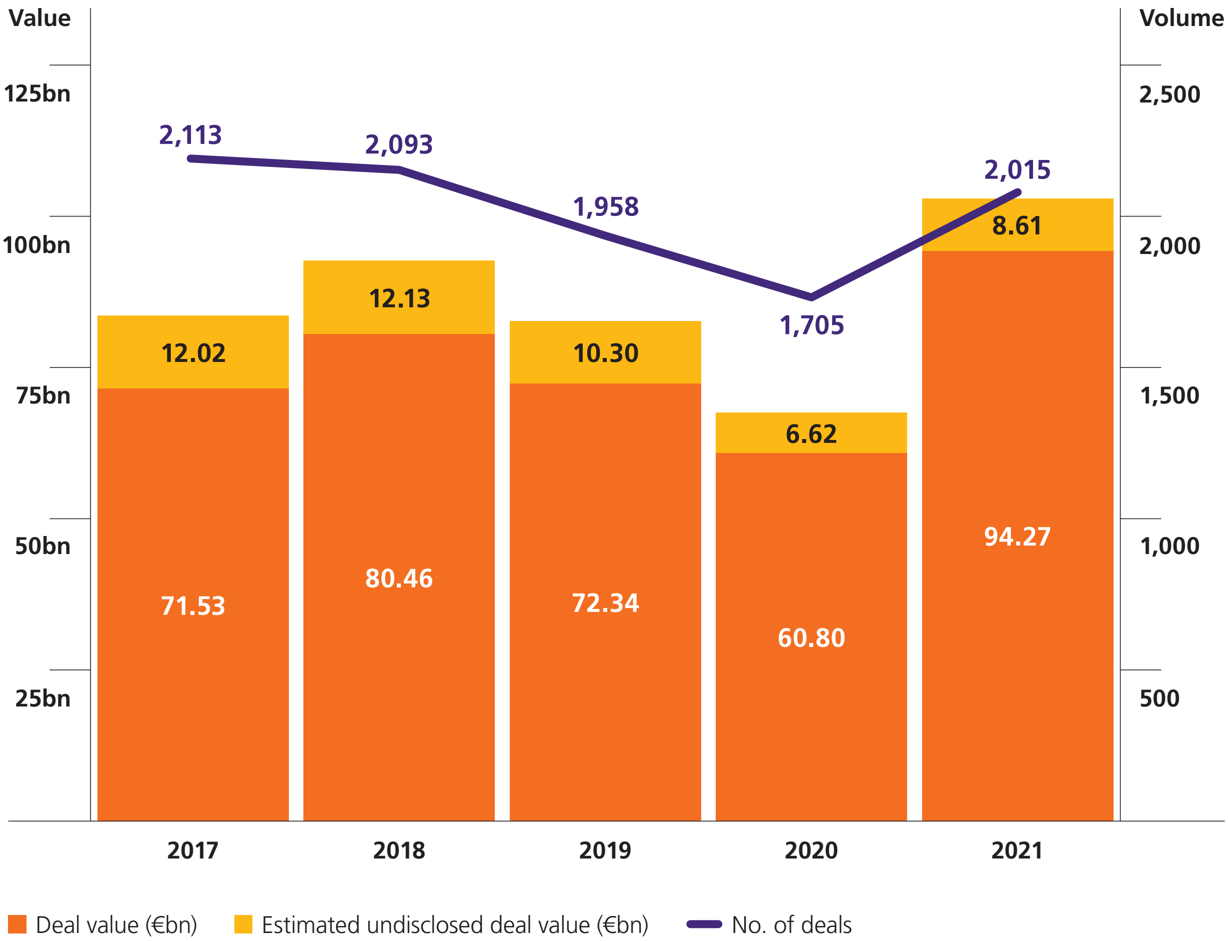
2021 dealmaking in emerging Europe at a glance

Deals by value and volume



Activity in the region's largest markets

Russia	Poland	Turkey	Romania	Ukraine	Czech Republic
EUR 45.38bn	EUR 11.93bn	EUR 6.89bn	EUR 2.37bn	EUR 1.72bn	EUR 13.37bn
609	270	234	195	143	110

Telecoms & IT
Busiest sector by deal number for the second year in a row: 450 M&A deals carried out in 2021 (an increase of 117 deals y-o-y).

Private Equity
Continued to increase its share in overall investment: with 399 deals carried out in 2021 (representing a 25.1% increase y-o-y) worth EUR 23.75bn in total.

Capital Markets
Equity capital markets in emerging Europe experienced a record year: 116 companies IPO-ed in 2021 (representing an impressive 346.2% increase in listing volume y-o-y).

Most active origination market from within the region

Russia

37.34bn
EUR

564
deals

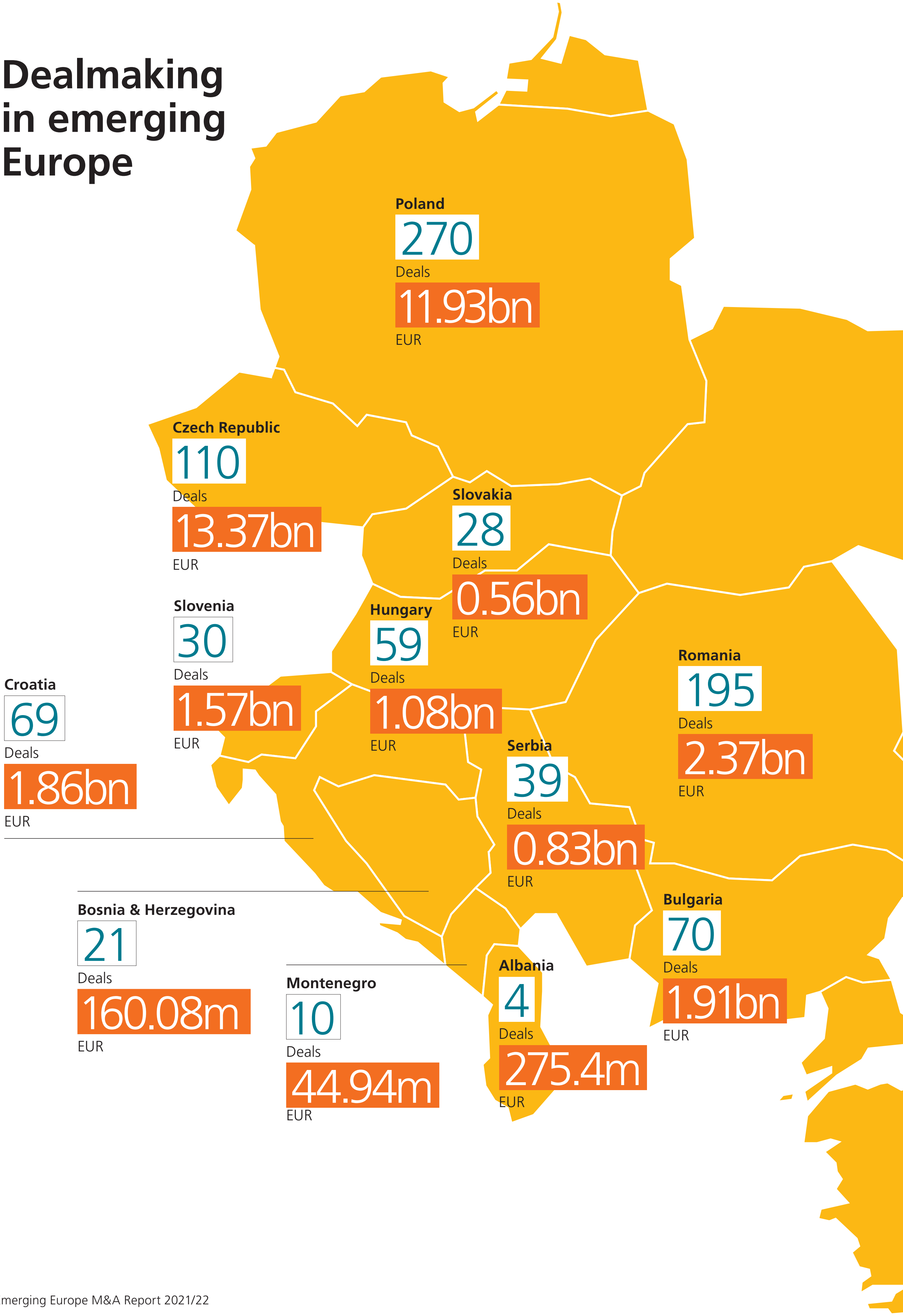
Most active origination market from outside the region

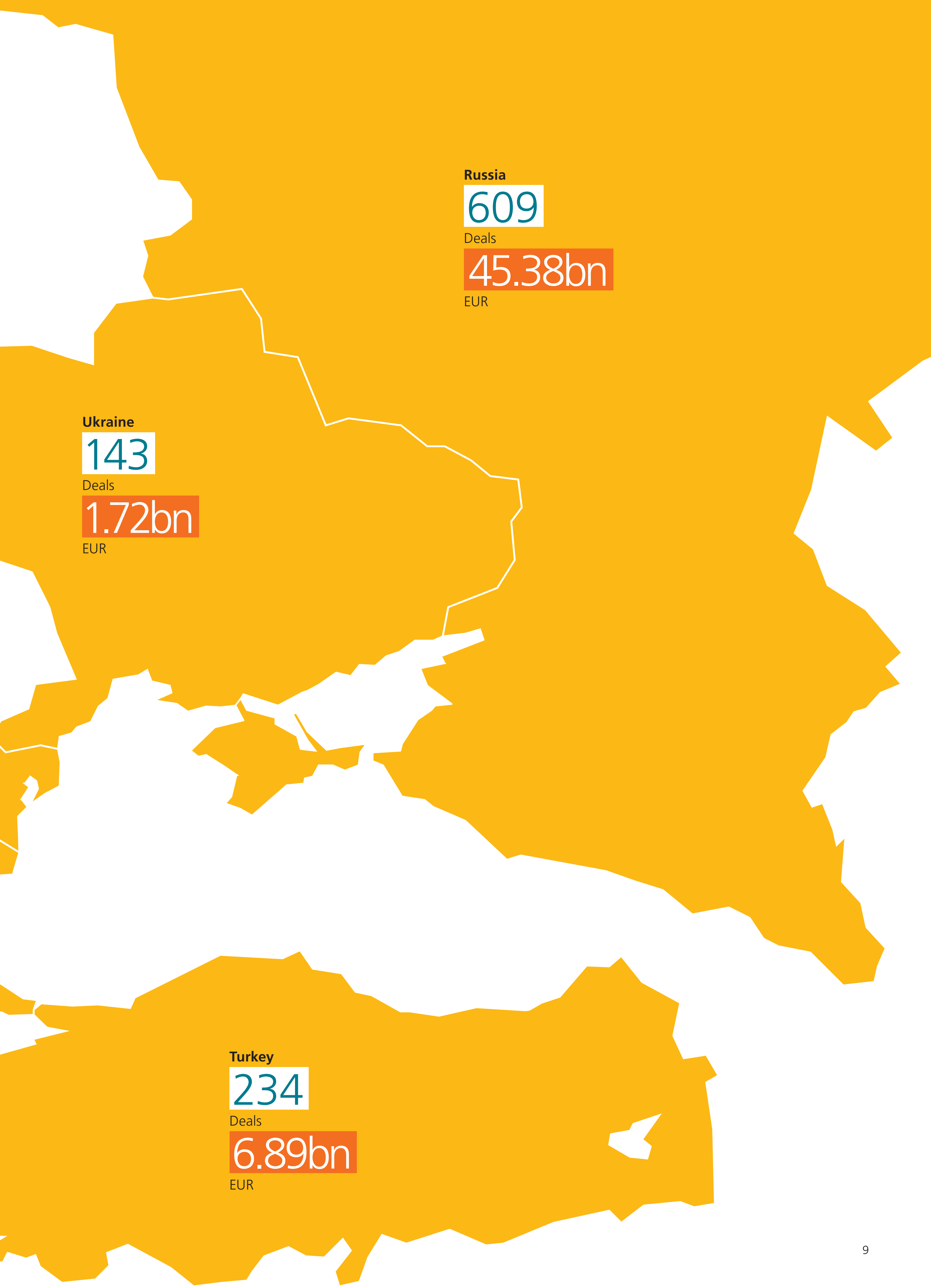
United States

9.17bn
EUR

154
deals

Dealmaking in emerging Europe




Russia
609
Deals
45.38bn
EUR
Ukraine
143
Deals
1.72bn
EUR
Turkey
234
Deals
6.89bn
EUR

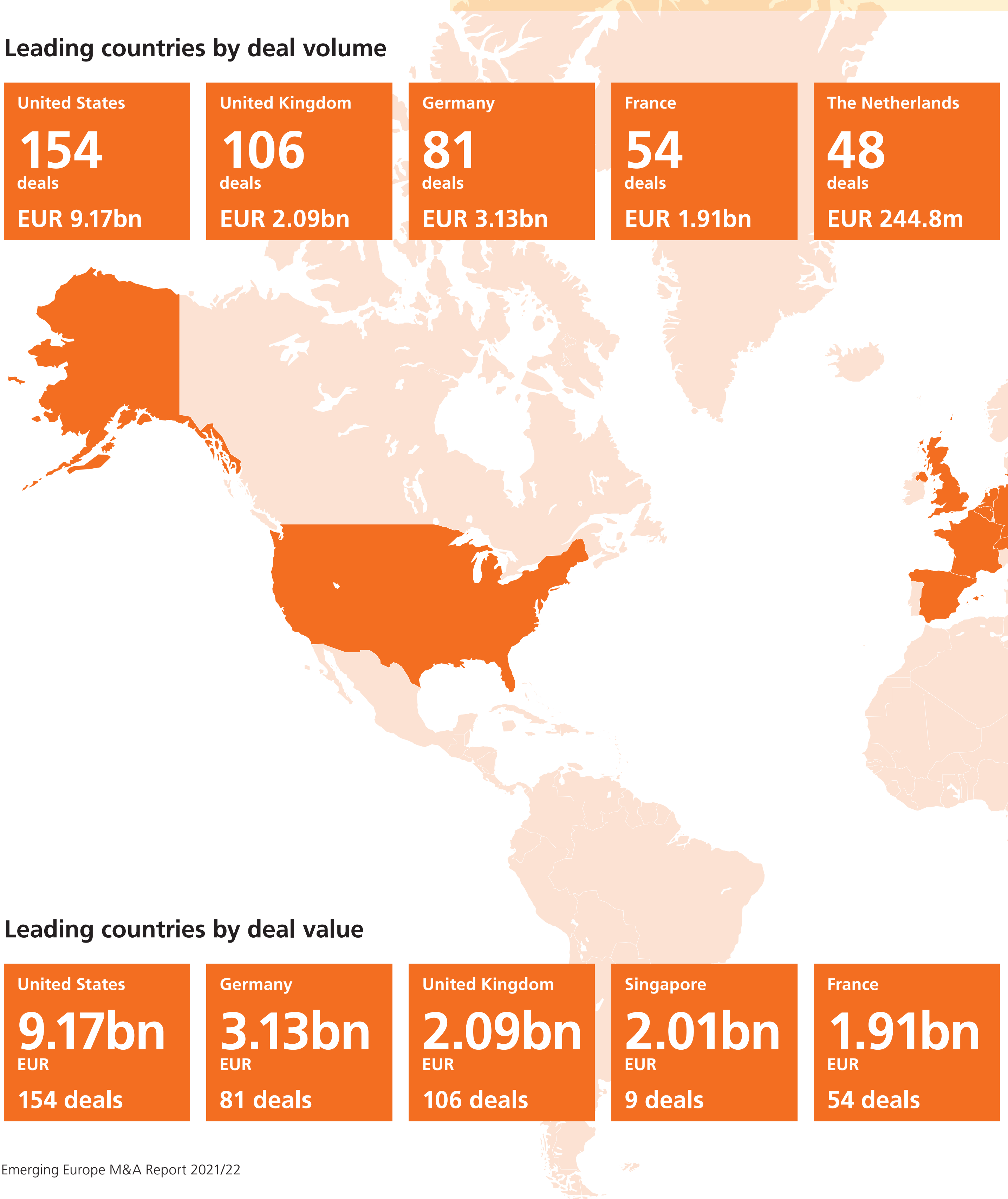
The global picture: An overview of international M&A investment streams

Cross-border deals

2020	2021
764 deals, EUR 35bn	985 deals

Leading countries by deal volume

United States	United Kingdom	Germany	France	The Netherlands
154 deals	106 deals	81 deals	54 deals	48 deals
EUR 9.17bn	EUR 2.09bn	EUR 3.13bn	EUR 1.91bn	EUR 244.8m



Leading countries by deal value

United States	Germany	United Kingdom	Singapore	France
9.17bn EUR	3.13bn EUR	2.09bn EUR	2.01bn EUR	1.91bn EUR
154 deals	81 deals	106 deals	9 deals	54 deals

EUR
56bn

Domestic deals

2020		2021	
941 deals	EUR 25.8bn	1,030 deals	EUR 38.3bn

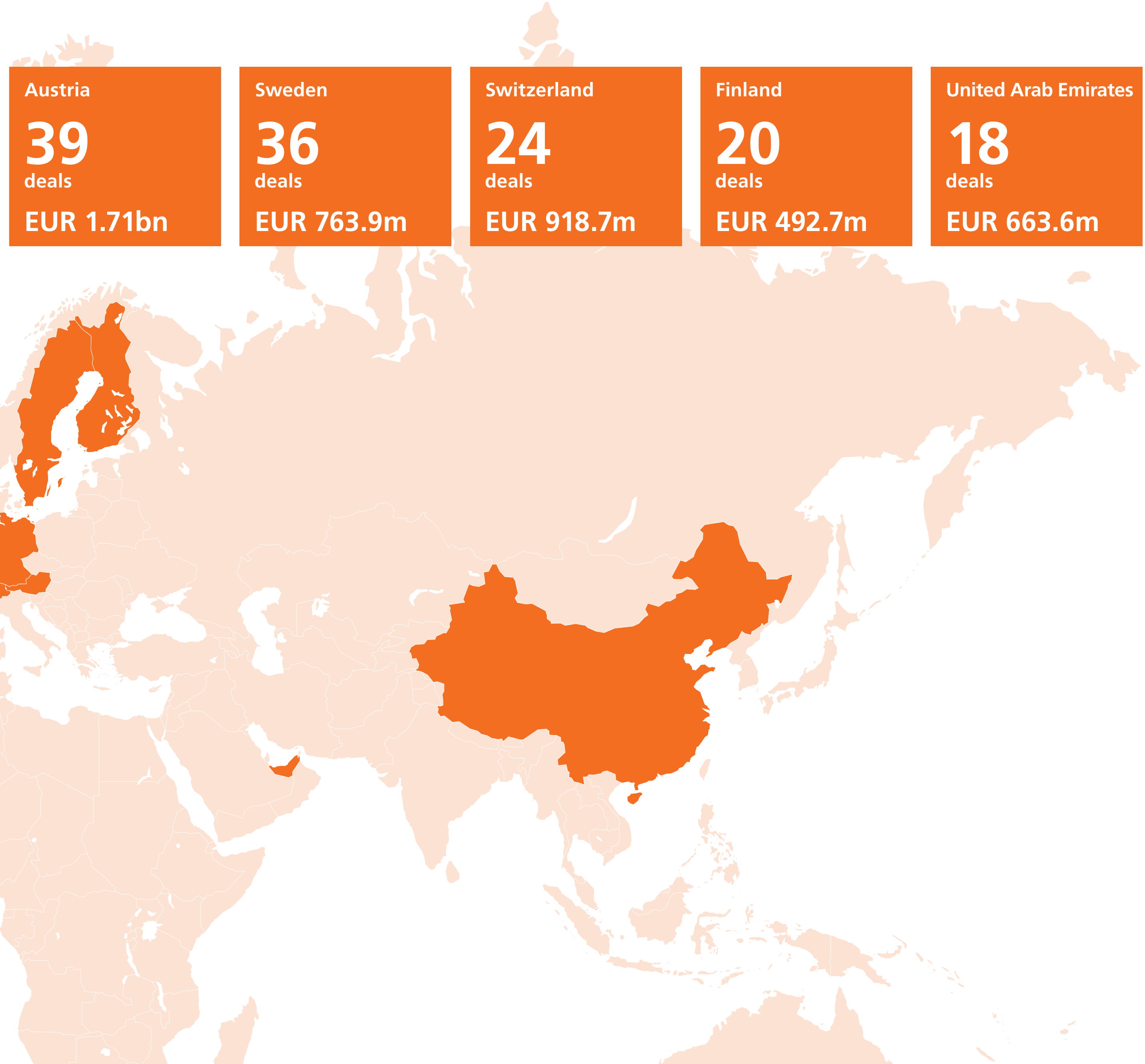
Austria
39
deals
EUR 1.71bn

Sweden
36
deals
EUR 763.9m

Switzerland
24
deals
EUR 918.7m

Finland
20
deals
EUR 492.7m

United Arab Emirates
18
deals
EUR 663.6m



Spain
1.75bn
EUR
9 deals

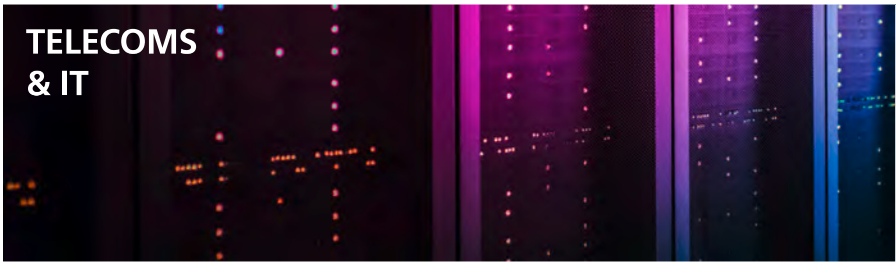
Austria
1.71bn
EUR
39 deals

China
1.36bn
EUR
11 deals

Belgium
1.24bn
EUR
14 deals

Switzerland
918.7m
EUR
24 deals

TELECOMS & IT



Deal count	Value
+117 Deals	+80.4%
450 Deals	23.40bn

REAL ESTATE & CONSTRUCTION

Deal count	Value
+30 Deals	+3.8%
340 Deals	9.83bn

MANUFACTURING

Deal count	Value
+17 Deals	+234%
253 Deals	18.26bn

FINANCE & INSURANCE

Deal count	Value
+9 Deals	+28.5%
160 Deals	8.68bn

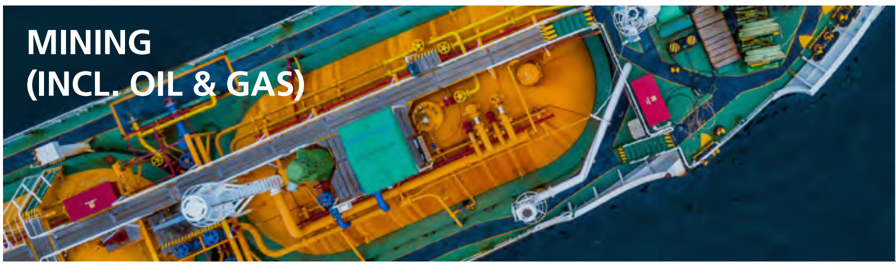
WHOLESALE & RETAIL

Deal count	Value
+33 Deals	+262%
145 Deals	9.71bn

ENERGY & UTILITIES

Deal count	Value
+50 Deals	+23.6%
123 Deals	3.39bn

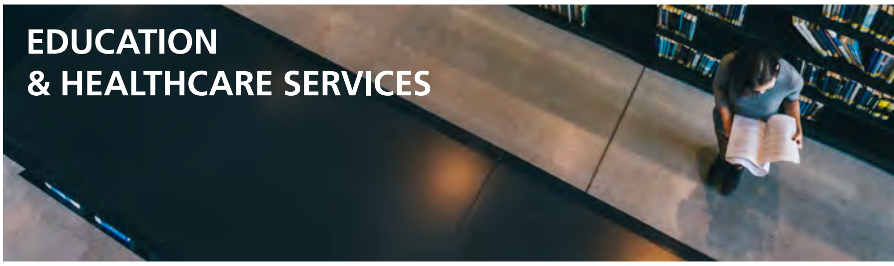
MINING (INCL. OIL & GAS)



Deal count	Value
-19 Deals	-24.8%
105 Deals	10.59bn








	Deal count		Value	
SERVICES	-6 Deals	97 Deals	+111%	1.33bn
FOOD & BEVERAGE	+7 Deals	92 Deals	+235%	1.66bn
AGRICULTURE & FARMING	+42 Deals	77 Deals	+260%	2.42bn
TRANSPORTATION & LOGISTICS	+29 Deals	75 Deals	+2%	3.36bn
EDUCATION & HEALTHCARE SERVICES	-2 Deals	51 Deals	-23.9%	308m
MEDIA & PUBLISHING	+8 Deals	37 Deals	+74.1%	1.07bn
OTHER	-5 Deals	10 Deals	-46.6%	276m

Transaction trends: M&A rebounds as fightback against Covid-19 gets underway

Dealmakers were active across the region in 2021 as the rollout of vaccines led the fightback against the pandemic following the disruption in the previous year. The strong end to M&A activity in 2020 continued through the following nine months as consumers and businesses learned to adapt to extraordinary times, although uncertainty about the impact of new variants and the prospect of economic fallout from higher inflation led to a more cautious end to the year.

Milan Kulich
Director,
Advent international

As a large global fund, Advent International has a broad pool of resources for use in varying situations, and the last deals we had in CEE included Addiko bank, InPost and Zentiva. These provided excellent value creation opportunities in very different ways, including turnaround, corporate carve out and growth acceleration. More recently, we have started to see more minority situations in high growth assets and expect more to come from the region in the future. We are optimistic about the breadth of opportunities CEE can offer and are committed to continuing investment in the region.

As the world prepared for mass vaccinations and the prospect of the pandemic being brought under control, M&A activity got off to a flying start at the beginning of 2021. Deal numbers recovered sharply in the first three months of the year and reached levels similar to 2019—a trend that continued through to the autumn.

Transaction volumes for the year were significantly higher than in 2020, up 18.2% to 2,015, although as winter took hold, so did uncertainty about new variants and the impact of rising inflation on economic growth in the coming year. In the face of renewed confidence among buyers and sellers, valuations held up robustly and total deal values enjoyed a 55.1% gain to EUR 94.27bn, the highest level since the EUR 111.7bn recorded in 2013. Quarterly deal values have now exceeded EUR 20bn for five quarters in a row. Megadeals were firmly back on the agenda and each of the top ten deals during the year was priced at more than EUR 1bn.

"New normal" for dealmakers

Whereas the early months of 2020 were marked by fear about the emergence of Covid-19 and its potential economic impact, reflected in massive swings on equity prices and subdued M&A activity, 2021 saw a bounce back in dealmaking, and equity markets enjoyed a year of rebound and recovery.

Consumers and companies learned to adapt to the "new normal", helped by government support measures, such as furlough payments, loan moratoria and tax breaks, providing a lifeline for the most vulnerable businesses. For those in industries such as hospitality and travel, the road to recovery was slow and uneven, but for others such as e-commerce and logistics, the pace of change and the shift to digital continued to accelerate. In some cases, opportunistic deals arose to turn around distressed businesses, but the main drivers of deals, as in previous years, were long term underlying trends, such as digitalisation and value creation.

As working from home became the norm, M&A professionals spent less time in the office and rarely boarded airplanes as they became adept at conducting negotiations by video call and email. Confidence quickly returned and the combination of a pipeline of ready-to-go deals and the availability of cash fuelled private equity and strategic acquisitions and IPOs.

Countries

In its World Economic Outlook in October 2021, the International Monetary Fund cautioned that "global recovery is continuing, but the moment has weakened and uncertainty has increased". It trimmed its world growth forecast for 2021 to 5.9% and left its outlook for 2022 unchanged at 4.9%. Against that background, emerging Europe showed a broad spread, with the Czech Republic predicted to lag behind in 2022, Poland slightly ahead of the average, and Croatia strongly ahead.

Poland was once again a major regional market for M&A and although deal volumes were down 4.3% at 270, they were slightly ahead of 2019. This resilience was reflected in deal values, which, up 2.3% at EUR 11.93bn, were at the highest level in the past decade. Real estate was the busiest sector by volume, accounting for a quarter of deals, while Telecoms and IT was the largest by value, including the EUR 1.56bn purchase of Polkomtel Infrastruktura by Cellnex of Spain and the EUR 1.52bn purchase of UPC Polska by Iliad of France. There were eight deals over EUR 300m and three above EUR 1bn, led by the EUR 2.5bn acquisition of insurer Aviva Poland by Allianz of Germany.

Alex Rakosi
Partner,
CMS Vienna

We've seen a good level of activity in Slovenia, Croatia and Serbia, with Serbia particularly active in IT and software. Technology is one of the hot sectors at the moment, but financial services continues to be active and although industrial deals may have decreased to a certain degree, one of the exceptions is packaging which is still an area of interest for private equity.

After a decline in deals in 2020, Russia saw M&A activity bounce back, with transactions up by 15.8% to 609 and deal values up by 51.2% to EUR 45.38bn. Values were the highest since 2013, lifted by megadeals including the EUR 6bn merger of petrochemical groups TAIF and Sibur.

Deal numbers recovered strongly in Ukraine, up 57.1% to 143, returning to the positive trend of 2016 to 2019, and deal values more than doubled to EUR 1.72bn, as four deals came in above EUR 100m.

Transaction numbers in Hungary rose 40.5% to 59, but remained well below pre-Covid levels, as did values, which increased 12.6% to EUR 1.08bn. The EUR 625m acquisition of DIGI and the acquisition of Invitech by 4iG of Hungary contributed to Telecoms and IT being the standout sector by value and volume.

Despite deal volumes easing back 7.6% to 110, the Czech Republic enjoyed values at an all-time high of EUR 13.37bn thanks to the EUR 7.3bn purchase of Avast Software by Norton Lifelock of the US and nine other deals between EUR 183m and EUR 2bn.

The EUR 450m purchase of the Aupark shopping centre in Bratislava pushed transaction values in Slovakia to EUR 560m, more than double the value of 2020, but activity remained weak with 28 deals, the lowest in a decade.

In Bulgaria, deal numbers were 11.1% ahead at 70 and values more than trebled to EUR 1.91bn, thanks to the EUR 1bn-plus purchase of Raiffeisenbank Bulgaria by the KBC Group of Belgium.

Tetyana Dovgan
Partner,
CMS Kyiv

M&A activity has been strong and towards the end of 2021 we saw some of the highest levels of activity in recent years, including compared to before the pandemic. A pick-up in Ukraine's economic growth and the prospect of further structural reforms continue to boost interest from multinational investors, including corporates and private equity funds. With a healthy pipeline for 2022, Ukraine offers exciting investment opportunities across a number of sectors including energy, manufacturing, agro, pharma and healthcare. At the same time, and consistently with the rest of the region, we expect telecoms and IT to attract most investors' interest in 2022.

Hedde Draper
Head of Corporate Finance Advisory Central Europe and Eastern Europe,
UniCredit

We have seen further growth in Private Equity deal activity in Central Europe and Eastern Europe. On the one hand, this is driven by a continuous development of CEE markets, which is generating more suitable opportunities for financial investors. On the other hand, international PE funds have also started to look further East because of the fierce competition for assets in Western Europe. In addition, the on-average higher growth in Central Europe and Eastern Europe is attractive. This leads to strategics being outbid by private equity. For example, this was the case in the sale of Pet Network by Rohatyn, which in the end was acquired by A&M Capital.

Deal flow in Romania hit a new record at 195, an increase of 43.4%. Meanwhile, lifted by the EUR 916m oil and gas deal that saw Neptun Deep Block bought by Romgaz, value was EUR 2.37bn, comparable to that of recent years.

M&A was back on track in Croatia as deal numbers and values hit new records at 69 and EUR 1.86bn respectively, rises of 60.5% and 387%, including four deals in excess of EUR 100m, led by the estimated EUR 492m sale of Fortenova's business in Croatia, part of a break-up that had repercussions across many parts of the region, as analysed in last year's report.

Activity was steady in Serbia, where there were 39 deals, up from 36, including three EUR 100m-plus transactions that pushed total value of EUR 830m, 32.1% ahead of 2020 and equal to 2019.

Transactions in Bosnia and Herzegovina rose by 61.5% to 21 and values 470% to EUR 160.1m, lifted by a EUR 62m food deal and a EUR 43m mining deal, both involving overseas buyers.

Slovenia saw activity hold steady, with just one deal less at 30, as values more than doubled to EUR 1.57bn thanks to the EUR 1bn purchase of Nova KBM by OTP Bank of Hungary.

There were 10 deals in Montenegro, in the busiest year since 2018, including the purchase of Telenor Montenegro by 4iG of Hungary, while a quiet year for deals in Albania ended with a flourish in December when 4iG took a majority stake in ALBtelecom and acquired ONE Telecommunications.

Turkey was again one of the region's busiest M&A markets as volumes increased by 27.2% to 234 deals, in line with pre-Covid levels, while values dipped by 12.3% to EUR 6.89bn but remained above 2019 levels. There were nine deals of around EUR 250m or more, the largest of which was the EUR 1.28bn fundraising by e-commerce platform Trendyol.com from an international consortium including Softbank.

Sectors

Digitalisation has become an essential tool for all sectors, from old economy industries such as manufacturing that now rely on software and technology to drive efficiency, to new enterprises such as fintech that are built on new technologies. The growing role of technology across all areas of industry and all aspects of life have made it an important sector in its own right and a hot one for M&A activity, from healthcare start-ups to huge national and international telecoms operators.

The Telecoms and IT sector, which covers a wide range of businesses from software to telecoms infrastructure, once again topped the deal tables by volume as transaction numbers rose from 333 to 450, accounting for more than a fifth of all deals. The sector was also the largest by value at EUR 23.4bn and accounted for five of the ten largest deals that took place during the year. In Telco there was significant activity, such as the sales of Polkomtel Infrastruktura and UPC Polska in Poland, and the sales of České Radiokomunikace and a 30% stake in CETIN in the Czech Republic. Software deals included the EUR 7.3bn Avast Software sale in the Czech Republic and the EUR 1.6bn purchase of game developer Nexters Global by Kismet, both with roots in Russia.

Dmytro Boroday
Partner,
Horizon Capital

The Telcoms and IT sector has been one of the major drivers behind Ukraine's recent uptick in M&A activity. The country's companies in these sectors enjoy high EBITDA margins while growing top-line double-digit growth. Investment has gone into telco companies and also IT outsourcing and IT development. The industry is a beacon of transparency and is driven by a new generation of visionary entrepreneurs with global ambitions, growing the industry from around USD 110m in 2003 to about USD 6bn in 2021. The region's tech scene is emerging as a magnet for global strategic investors, capitalising on abundant local engineering talent.

Artashes Oganov
Partner,
CMS Moscow

The Russian M&A market made an impressive recovery in 2021. With Oil & Gas, Chemicals, Retail and Real Estate & Construction being the key drivers of M&A market growth, the aggregate deal value almost doubled year-on-year. However, unlike other emerging markets, the role of inbound investments in such growth remains relatively small. Key domestic players, including state-owned conglomerates, continue to hold the prevailing share in the overall deal volume. Due to the specific profile of the Russian economy, where the state plays a major role whether as financing party or a stakeholder, decreased business activity after the COVID-19 outbreak in 2020 and, hence, devaluation of assets in many segments of Russian economy, allowed major local investors who have access to financing from state-owned banks to capitalise on the market situation by acquiring competitors and consolidating market share in 2021.

Growing awareness of the threat from climate change has made renewable energy another hot sector, helping to drive up the overall number of energy and utility deals from 73 to 123. It accounted for more than 6% of all transactions, up from 4.3% in the previous year. The important role of renewables, particularly solar arrays and windfarms, is highlighted by figures from the sub-sector showing deal numbers up from 45 to 81 and values up fourfold. Prominent deals included the purchase of solar projects in Ukraine by Nebras Power of Qatar and the sale of windfarms in Poland to Masdar of UAE and Taaleri of Finland.

Despite the attention paid to the "new economy", traditional sectors continue to underpin the M&A world. Real estate and construction was the second busiest, with 340 deals, up from 310, and as it continued to supply a steady flow of EUR 100m-plus transactions, values rose by 3.8% to EUR 9.83bn. Despite experiencing a 19% drop in deal numbers, offices remained the top real-estate sub-sector. Similarly, Warehousing and logistics also maintained its sub-sector ranking, reflecting the ongoing shift to e-commerce.

Manufacturing was third busiest sector for deals at 253 transactions, up from 236, and second by value at EUR 18.26bn. Mining, oil and gas was the third largest sector by value at EUR 10.59bn, though deal numbers were down from 124 to 105. Activity in food and beverage saw 92 deals, up from 85. Among them was the EUR 615m purchase by Nomad Foods of the UK of Fortenova Group's frozen food business, with operations in Croatia, Serbia and Bosnia & Herzegovina, and the Ledo and Frikom brands familiar in many neighbouring countries. The deal completed the sale of the non-core assets of Fortenova, which was created from the restructuring of the former Agrokor group in 2019, and raises the possibility that the company could be lined up for an IPO in 2023.

Private equity and IPOs
Private equity is now firmly embedded in the dealmaking culture of emerging Europe and saw deal numbers rise 25.1% to an all-time high of 399 in 2021, as values jumped 18% to EUR 23.75bn, including nine deals of EUR 600m or more. A mix of regional and international private equity firms were ready to go at the start of the year to use some of the dry powder left over from 2020. Their pent-up demand combined with a pipeline of deals from willing sellers, provided fertile conditions for dealmaking. You can read more about the current themes in private equity in a separate section in this report.

Actvity in 2021 confirmed that emerging Europe is on the radar not just for ambitious home-grown funds, but also for serious global players, and that business owners increasingly regard private equity as an attractive option when they decide to sell. In tandem with the renewed appetite for private equity deals, IPOs have become a more realistic alternative to a trade sale and enjoyed a bumper year as the number of listings surged from 26 to 116 and values almost trebled from EUR 4.79bn to EUR 13.47bn. The figures reflected the success of regional stock exchanges such as Warsaw, Bucharest and Istanbul in attracting new listings. Meanwhile, bourses in London, Amsterdam and New York continued to appeal to companies seeking international investors.

The year saw the blockbuster EUR 3.22bn listing of Poland's parcel locker company InPost in Amsterdam, further proof that emerging Europe has a track record in growing technology unicorns that appeal to international investors. Romanian cybersecurity company Bitdefender is lining up to be the latest to ride the wave by appointing investment banks on a US IPO in 2022, expected to value the business at around USD 2bn. In a roundtable discussion published in this report, CMS capital market experts from across Europe discuss the differences between listing on domestic and global markets.

Foreign vs regional
The pandemic did not act as a deterrent to US investors, who topped the tables of most active foreign origination market from outside the region. The number of US deals rose from 94 to a decade high of 154, while values also set a new record of EUR 9.17bn after more than doubling against the previous year.
European investors also developed an increased appetite for deals in emerging Europe, led by the UK (106), Germany (81) and France (54), the Netherlands (48) and Austria (39). By value, the largest European investors were Germany (EUR 3.13bn), the UK (EUR 2.09bn), France (EUR 1.91bn), Spain (EUR 1.75bn), and Austria (EUR 1.71bn). China remained a major foreign investor, but deal numbers and values were significantly lower than pre-Covid levels. UAE moved up to tenth position among foreign investors by deal numbers, the highest

Helen Rodwell
Partner,
CMS CEE

We are seeing a lot of cross-border deal activity between countries in emerging Europe; Russian, Polish and Czech companies remain dominant in this respect. Hungarian companies are also making their mark and a company such as 4iG seems to be following in the footsteps of MOL and OTP in building a sector-driven regional powerhouse. I expect that regional champions will become increasingly tough competition to global corporates and private equity on some of the region's most interesting deals.

Alexandra Popa
Head of Corporate
Finance Advisory Romania,
UniCredit

After a year of caution and a low predictability, in 2021 we saw investor interest in Romania rising mainly as a result of the availability of funds, particularly in sectors that have proven resilient or which serve new trends as tech, green energy, entertainment, healthcare and real estate. We see an increasing trend in digitalisation in order to facilitate the effective planning of production facilities or to recalibrate the logistic chain, and intra-group restructuring mostly to focus on core home markets that will generate a new M&A deal flow. For Romania, we see TMT, energy with a focus on renewables and the healthcare sector remaining as key sectors in M&A for 2022 as well.

ranking outside the US and Europe. This development is discussed later in the report with a section dedicated to UAE.

Cross-border M&A remained buoyant, with deal numbers 28.9% higher at 985 and values up 60.2% to EUR 56bn. Meanwhile, domestic deal values were 48.1% higher at EUR 38.3bn on numbers 9.5% up at 1,030. Russia was the largest single investor country overall, with 564 deals worth a combined EUR 37.3bn, the majority of them domestic transactions in Russia. Turkey, Poland and the Czech Republic were the next busiest by volume, with 444 deals between them, while Poland, Hungary and Turkey contributed more than EUR 9.2bn of transactions.

Deal drivers

Once regarded as a gateway to western European markets, CEE still benefits from its proximity to large economic neighbours, but it is increasingly regarded as an attractive location in its own right thanks to robust economic growth and stability. Relatively low costs still provide an incentive to dealmakers, but they sit alongside favourable features such as a well-educated and skilled workforce, particularly in technology, and good infrastructure for transport, energy and communications.

The pandemic may have created some distressed sellers and openings for opportunistic acquisitions, but transaction activity has been growing over the past decade, built on buyers looking at long-term trends and value creation, whether through corporate carve outs, stakebuilding, or start-ups.

For business owners, succession, which has long been talked about as a motive for selling, is now cited more frequently, but sellers are increasingly aware that if family members are reluctant to take on the business, there is a range of buyers willing to take it to the next level. Emerging Europe's M&A market has become more sophisticated, appealing to a wider range of buyers within and outside the region, while the options for sellers have also widened, from a trade sale, private equity deal or an IPO.

Slawomir Czerwinski
Partner,
CMS Warsaw

The trends that we are seeing on the private equity market today are a preference towards a quick transaction process and high valuations of assets which either operate in the pandemic-agnostic sectors or managed to transform their operations to adjust to the pandemic reality, such as digitalisation or increased automation. These companies are well positioned to achieve a competitive advantage in the post-covid economy, and it seems that in 2022 the PE industry will continue to keep its momentum. However, headwinds including inflation and the prospect of higher interest rates may have an adverse impact on the dynamics of the M&A market.

Horea Popescu
Partner,
CMS Bucharest

I believe that the M&A activity will continue, especially in the renewables area. This will cover not only the exits of incumbents who already have operational assets built under previous support schemes, but also new projects which are currently under development or at a ready-to-build phase. The availability of sustainable financing and emerging financing products such as green bonds will further accelerate investment and M&A activity across all energy sectors. We also expect to see more deals in the gas sector, with some deals in Romanian and Bulgarian parts of the Black Sea indicating significant interest in tapping into new offshore gas discoveries.

Outlook

The region has proved to be much more resilient in the face of the pandemic than might have been the case as recently as a decade ago, thanks to more diverse and more digital economies. Government measures to stimulate economies and to support business helped steer countries in the region through the worst economic effects of Covid-19, but businesses themselves showed they were able to evolve.

All of this helped to rebuild the confidence that contributed to the rebound in M&A activity in 2021. The fundamentals for an active dealmaking market remain in place, tempered by uncertainty about the pandemic and the possibility of new waves of infection. And while central banks are expected to withdraw support carefully, they must do so in the shadow of inflation, which may pull policy in a different direction.

Over the last two years, dealmakers have shown themselves to be agile in the face of fast-changing conditions and if there are concerns about the fallout from the pandemic and inflation, M&A professionals have shown they are capable of adapting to whatever challenges 2022 might throw at them.

EnerCap Capital Partners: 15 years of clean energy investment in CEE

From its base in Prague the management team at EnerCap Capital Partners (EnerCap) has been investing in renewable projects across CEE for more than 15 years. Set up to act as the general partner to EnerCap Power Funds (EPF), a specialist private equity fund focused on clean energy investments in the region backed by the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB), EnerCap acquired a portfolio of wind and solar power projects across Croatia, Czech Republic, Poland and Romania. Now in the process of disposing of its final assets and closing its books, we ask the fund's four founding partners to reflect on the fund's history and the development of renewable energy in emerging Europe.

EnerCap started investing in renewables in CEE in 2006. What brought you to start this venture?
George Formandl (GF): Back in 2006 we were mostly focused on mid-market commercial real estate investments via our company Kilcullen Kapital Partners. We had some successful deals teaming up with foreign investment funds, which inspired us to start our own fund. At about the same time, we began to see many opportunities in renewables in the region. We weighed the pros and cons of continuing in a competitive real estate market or trying to become pioneers in raising the first private equity fund in the region for renewable energy. We definitely weren't ready at the time for the path we embarked on, but we were very entrepreneurial and eventually convinced the EBRD and EIB to back our fund. From there, other investors signed on and we were able to raise almost EUR 100m for the EnerCap Power Funds (EPF).

Credit: Martin Siebert

Did the opportunities in the region live up to your expectations?

Shane Woodroffe (SW): Following the closing of the EPF in late 2007, the next two years were difficult given the general absence of project debt financing and the turbine manufacturers still having full order books from the run-up to the global financial crisis (GFC). Indeed the first windfarm that we built in Poland had high construction costs, however, we were able to improve upon this with future windfarm investment as prices fell and the turbine order books started drying up. Moreover, the developers of projects in the region, off the back of inflated prices pre-GFC, continued to demand high premiums for selling fully developed projects – and these expectations improved for us as we continued to invest. There were certainly plenty of investment opportunities for the EPF across the CEE region but, as the committed capital would only go so far, we decided to limit the investments to just four countries, Poland and Romania (both Green Certificate schemes) and Czech Republic and Croatia (both feed-in tariffs). Poland was the most mature of these markets and took some 42% of the EPF's invested capital.

What were some of the typical challenges in developing renewable energy assets in CEE in the early years?

SW: Between 2009-2013, when the EPF was investing, developers of renewable energy projects were still learning and there were substantial gaps between what meets local requirements and what is an internationally investable proposition. This was most evident on environmental and social matters where fully permitted projects, marketed as ready-to-build, actually required an expanded environmental impact assessment including a minimum 12 months of environmental surveys and data collection – usually for birds and bats, with a particular focus on any at risk species. Fortunately, we did not suffer the same fate as a competing windfarm in Croatia which found itself in the middle of a Natura 2000 site post-accession into the EU!

How have regulatory and legal changes affected the market?

Alastair Hammond (AH): The question might be better put: "Where were there no regulatory or retroactive legislative changes which did not negatively affect the market?" Following the GFC, many governments in the region looked at ways of reducing the cost of energy for consumers (homeowners and businesses). At the same time, they also wanted to support major industries (often government owned, or key regional employers) which were operating in difficult circumstances, such as state-owned utilities, coal and gas, large energy intensive manufacturing such as aluminium, or automotive production. Once Spain decided to renege on its feed-in-tariffs, and Italy followed suit, and with the EU more interested in shining a light on State aid, the governments of Central and South Eastern Europe one-by-one introduced retroactive changes to existing projects and pulled any existing support for new projects.

Jim Campion (JC): The only constant in recent years has been change – but investors seek a stable legislative environment to support investment in long-term infrastructure assets. Support schemes were necessary to underwrite the early adoption of renewables, driving down the cost of the technology to be market competitive. The frequent state interventions and retroactive changes that Alastair referred too, however politically expedient, created uncertainty and boom-bust cycles, effectively increasing the risk premium and cost of capital in many markets.

As the market matured to where renewable energy is market competitive, without support, governments started to lose some direct control of the rate of renewable build and the pace is now governed by consumer demand – particularly through the growth in Corporate Power Purchase Agreements (CPPAs). Regulatory issues remain influencing factors, such as rights and process for grid access, planning consents, balancing markets and energy storage, all of which can be investment constraints. With the current high commodity price environment with record power prices, commercial demand for new renewable generation is growing exponentially and in many markets energy regulators and grid operators (commonly state-owned) are struggling to manage this rapid change without compromising network performance.

George Formandl
EnerCap

Shane Woodroffe
EnerCap

Alastair Hammond
EnerCap

Jim Campion
EnerCap

The development of Renewable Energy Sources (RES) in CEE is often linked to this constant change of regulatory and incentive regimes and the boom-and-bust cycles this resulted in. Do you think we have now left this behind us? Is this still off-putting for investors?
SW: With the EPF, the projects acquired and invested in during the 2009-2013 period enjoyed legislated support, as mentioned by Jim, either through feed-in tariffs or green certificate systems. At that time, renewables also benefitted from priority access to the electricity grid and often escaped balancing risk. The legislated support provided a good underpinning of the debt financing that was needed to make a project happen. The downside, as came to pass, is that we were making 15-to-20 year investment decisions against four-to-five year political cycles. The reality was that the newer EU member states from the CEE region saw the drive to decarbonising their power systems as too expensive and a risk to jobs, as Alastair explained, which hitherto had been enjoying cheap electricity, and which threatened to move abroad. The subsequent retrospective legislative adjustments that we suffered to the EPF's investments in the Czech Republic, Poland and Romania meant that our investors, alongside others who suffered similarly, lost faith in investing in RES projects in the CEE region.

Fast forward to today and with renewable electricity in resource rich countries providing the lowest cost of energy, undercutting incumbent fossil-fuelled sources, RES projects may have been stripped of earlier protections but are still able to compete on a level playing field. For example, there is no supporting tariff or priority of access to the grid and RES projects now have full responsibility for balancing their output, which can be quite expensive in certain countries such as Romania. Yet solar power in southern sunnier countries or wind projects in the more northern windier countries are providing cheaper electricity than unsubsidised fossil fuel generation. However, for new RES projects seeking debt financing and which are in search of long-term buyers of their future electricity generation, project sponsors have essentially swapped sovereign risk for corporate risk under CPPAs.

Whilst corporate buyers today are still learning how to buy intermittent electricity from RES projects, the great news is the roll-out of financial CPPAs which open up a much larger international array of potential buyers, rather than projects being limited to domestic buyers. With political risk ostensibly out of the picture, and RES projects competing and winning against other sources of electricity generation, investors are rapidly returning to the sector. This is being accelerated by investors withdrawing from companies linked to fossil fuels and seeking clean energy investments.

"There is now a watershed of corporate demand which is stimulating development and attracting capital. We are seeing significant activity from proven renewables developers and new entrants, commonly from land-owning or commercial real estate backgrounds."

Jim Campion, EnerCap

How have the deals changed from when you acquired your projects to now when disposing of them?
SW: That is certainly an easy question from a debt perspective. Only our Czech and Croatian windfarms escaped debt restructurings, all of EPF's other projects investments had to go through a debt rescheduling to reprofile the debt service to the new (lower) revenue stream, which led to longer debt repayment profiles. Extended ongoing legislative uncertainty in some countries, particularly for our Czech solar power projects and Romanian windfarm investments, meant that we had to hold these projects well in excess of what was envisaged until a stable legal regime would permit a sale. The project investments that have been exited to-date have, except one, met the target cash multiples of the EPF, however the internal rate of return was depressed due to the longer hold periods.

Which country has been most successful for you? Is there a particular project that you are particularly proud of having been involved in?
SW: For me, our 42MW windfarm in Croatia was particularly pleasing. It had a long and complicated development period as certain domestic laws kept changing throughout the development cycles meaning some project development aspects had to be repeated or done differently, but it was eventually financed and successfully constructed. As an investment, it delivered very well against its investment case, although it seems to have enjoyed better wind years with its new owner! It was especially my favourite because Croatia was the one country where the EPF did not experience retrospective legislative amendments, making the sale of the project more straightforward, and it was near some of the most beautiful coastline in Europe which always made site visits enjoyable!

How do you compare the roles of strategic and financial investors in the development of renewables in CEE? How have the players changed? Do EnerCap see further opportunities in the region?
JC: All European utilities have been transitioning from carbon-based generation to renewables over the last decade or so, although most in the CEE region have done so somewhat belatedly. Some have been particularly active in the development and acquisition in renewable assets. The incumbent electricity supply businesses are facing many challenges and discontinuities, particularly with the forecast growth in CPPAs where contracts are direct between independent power producers and consumers, in various forms, bypassing to some degree the traditional supply businesses. For the larger utilities building a captive base of renewable generation gives them long-term security and a useful tool for retention of large consumers. They are also the primary route for renewable energy for retail consumers.

A growing pool of large infrastructure fund investors are competing with utilities for assets in development, construction and operation. These funds are attracted to the opportunity to invest in generation assets that are long-term contracted to creditworthy corporate partners and are not reliant on the vagaries of state support. Typically these institutions will invest in a platform business developing a pipeline of opportunities in a region and, for the larger projects and corporate consumers, these funds can be more agile and commercially competitive. Substantial capital is being raised by these funds – from pension managers, insurance companies and sovereign wealth – for this strategy.

In fact, we at EnerCap have been courted by a number of large institutional investors looking to benefit from our regional expertise, with the aim of building a pan-CEE/SEE regional platform business to invest substantial equity (>EUR 400m) in new build renewables and storage. I'm pleased to say we have recently reached agreement in principle with a renowned global fund, with whom we are already active and will make a formal announcement in early-2022. We are focussing on large-scale wind, solar and storage projects in late-stage development, and also relationships with large consumers where we can partner on projects across the region.

In which countries in CEE do you see opportunities now?
GF: Outside of Poland, there has been a real lack of renewable build-out in the CEE region in the last decade due to various overriding and country-specific factors. Therefore, we see long-term opportunities across the region, but many markets still have barriers ranging from political to grid capacity to legislative. In the short term, we see Romania as a promising market which is now attracting a lot of attention, although other smaller Balkan countries are also interesting depending on your risk appetite. Our own local Czech and Slovak markets are also emerging from slumber, particularly for solar.

Do you expect the current energy prices for consumers to have an impact on the development of renewable resources in CEE?
JC: Absolutely. Until recently commercial and industrial consumers were procuring renewable energy as part of their sustainability goals and were paying a premium over brown power for the benefit. Currently renewable PPAs can be contracted below wholesale prices and the consumer can achieve long-term price certainty. Not having fuel commodity prices to consider has benefits; the cost of power was previously a variable over which consumers had no long-term certainty or control, impacting budgets and strategic planning.

There is now a watershed of corporate demand which is stimulating development and attracting capital. We are seeing significant activity from proven renewables developers and new entrants, commonly from land-owning or commercial real estate backgrounds.

With ESG high on the agenda of global infrastructure, and PE funds keen to invest in renewable assets, will smaller regional investors still play a role in renewables in CEE?
SW: Not only did the EPF bring fresh capital and renewables experience to the CEE region, it also demanded certain standards reflecting its international limited partners. Rather than saying we forced "western" requirements onto the CEE region, I would say that we lifted the bar and improved development standards and the supporting infrastructure. For example, in the early years not all banks subscribed to the Equator Principles which is an international minimum standard for environmental and sustainability matters. I think that would be different now and there is increased awareness of what is required to attract international capital, especially as the projects are getting larger and need increasing amounts of capital, necessitating investment from outside CEE. Smaller, regional investors still have a role to play but external capital is needed – which will benefit from local experience and relationships.

The transformation of the "energy mix" is a key element of reaching the "fit for 55" goals (the EU's target of reducing net greenhouse gas emissions by at least 55% by 2030) what are the main challenges for CEE countries in this respect?
JC: It's all about managing the greater adoption of weather-dependent energy and keeping the grid reliable, particularly under low wind conditions in winter. There are challenges in interconnectivity between neighbouring countries, long term storage solutions (where we currently have a technology gap, bar traditional pumped hydro), active demand side management (made commercially attractive), smart devices and, in my view, smart and efficient use of gas generation and waste-to-energy as a necessary evil for transition. There is plenty for governments across the region to address.

AH: One of the main challenges facing CEE countries is to reduce the reliance on coal-based electricity generation and heating, and to transition to low-carbon alternatives. However, understandably, governments and generators have concerns about passing the full cost onto the consumers.

Strategically, there are also genuine concerns over energy security, particularly where there could be an over reliance on Russian gas, either already or if required as a transition fuel. CEE countries face many of the same challenges that apply to Western European countries, although they are mainly starting from further back. This includes upgrading transmission networks and building or improving country interconnectors.

Storage is another big issue. In the UK there was nearly 2GW of installed utility scale battery storage built by the end of 2021 (and there is nearly 20GW in planning), compared to single digit MWs of battery storage installed in CEE's largest markets – Poland or Romania. This discrepancy fuels concern about a widening of the East-West gap. The EU has committed nearly EUR 150bn in support for member states to achieve "fit for 55", which offers unprecedented opportunities to transform CEE energy and industrial sectors and enact targeted reforms aimed at helping close this gap. However, it is crucial that CEE countries make up lost ground and continue to attract, and in many cases, restart investments in green technologies, which western countries are already benefiting from.

To reach the "fit for 55" goals, countries will likely depend on foreign investment. What can countries do to create a competitive environment for clean energy investors?
SW: As the penetration rate of RES in the CEE countries reaches 20-30% and beyond suitable grid access and stability are becoming key, as Jim mentioned earlier. For example, I believe that there are some 20GW of RES projects in Romania currently in development and seeking grid access, yet the current transmission system is only capable of absorbing another 6GW without further investment and strengthening works. I believe that the electricity grids, originally designed for large central, but stable, electricity generation units require substantial investment, and if possible increased interconnection with adjacent countries.

Countries should prepare their grid systems for accepting additional RES generation and have a fair and transparent system for identifying and awarding new grid connection capacity so that developers and investors know where to target. For the countries in the CEE region, this will likely require external financial support, possibly from the EU's Modernisation Fund. Additionally, as energy storage will become part of the electricity transmission system to facilitate more renewable energy, countries should update their grid rules so that storage can provide grid stability services whilst not being subject to use of system charges for both the charging and discharging cycles.

We would like to thank George, Shane, Alastair and Jim for their insights. Renewable energy investment in emerging Europe almost doubled in 2021 from 44 to 81 deals with a fourfold increase in value and remains one of the sectors to watch in 2022.

Private equity's ESG expertise equips CEE business with more than just finance

After a solid performance in 2020 despite the pandemic, private equity investment in emerging Europe continued its growth in the region in 2021. From start-ups to mega-deals, private equity was involved in all aspects of business across the whole region. But it is not just as a provider of capital that private equity has a valuable role, it is also for its expertise in helping businesses navigate through ESG as the spotlight increasingly turns to social, environmental and governance concerns.

Private equity in CEE enjoyed a bumper year in 2021 as deal numbers rose from 319 to a record 399. Values rose from EUR 20.14bn to EUR 23.75bn, second only to 2018 in the past decade, illustrating how private equity has become part of the financial and corporate landscape of the region and accounting for around 20% of M&A activity.

Deals involving financial investors included nine with a value of EUR 600m or more. The year got off to a vigorous start as the pent-up demand that had built up towards the end of 2020 manifested itself in a commitment to pushing deals over the completion line.

CEE business owners are showing a greater awareness of and willingness to interact with private equity. Meanwhile, private equity firms based in the region are growing more ambitious, while those from outside and showing a greater understanding of the opportunities in CEE and a greater willingness than ever to engage with the region's sellers.

Beyond P&L benefits

One of the key functions of private equity is to grow businesses and take them on to the next level, whether the owner is looking to retire or to bring in additional shareholders to help grow the business. But the focus is not just on profit and loss accounts or balance sheets. In a world where there is growing public concern about the environmental and social impact that businesses have, there is also more awareness among business owners and potential investors of the need for high standards of governance to make sure they are run in the best interests of the wider stakeholder community.

> "Private equity players bring a high level of sophistication, optimise operational performance and the development of core business ideas. It goes far beyond just providing funds for growth, they bring expertise in business efficiency and in ESG."
>
> **Alex Rakosi, CMS Vienna**

This puts ever closer focus on environmental, social and governance (ESG) issues which has created an additional motivation for sellers to seek out private equity expertise. In the wake of the COP26 summit, the spotlight has been on the environment and ESG provides the tools to comply with or stay ahead of regulations and guidance on topics such as sustainability, energy use, resources, emissions reduction and climate change.

Graham Conlon, CMS partner focusing on private equity in CEE/CIS, said: "Private equity has the skills to grow a business and develop efficiencies. There's growing pressure to be mindful of the obligations in relation to ESG and especially E-for-environment."

ESG is at the core of the work done by the European Bank for Reconstruction and Development (EBRD) which celebrated its 30th anniversary during 2021. Tamas Nagy, director and co-head of private equity at EBRD said: "We were set up in 1991 to make companies understand ESG and now ESG has really gained traction and public support. It's not a fringe theory, it's more widely understood. We work closely with private equity partners so that ESG is an important part of the whole investment thesis.

"When we work with private equity, they are very much in the financial driving seat, but we are pleased to see more funds reaching out to us with an ESG mandate looking for opportunities where they can co-invest with us."

As a neighbour to emerging European countries Austria provides an important gateway to the region, particularly from DACH-focused investors. Alex Rakosi, CMS partner in Vienna, said: "Private equity players bring a high level of sophistication, optimise operational performance and the development of core business ideas. It goes far beyond just providing funds for growth, they bring expertise in business efficiency and in ESG."

Among the large private equity partnerships based outside the region, but with a keen interest in CEE, is Advent International. Since it was founded in 1984, it has invested USD 58bn in more than 380 businesses across 42 countries, including CEE.

Milan Kulich, Advent director in Frankfurt, said: "ESG is a top priority agenda for us, and we are focused on achieving ESG objectives globally as well as in CEE. Our global investment philosophy is centred around the sustainable growth of the businesses in which we invest. We believe the management of ESG risks and opportunities at all stages in our investment process helps to protect and enhance reputation and financial performance and create stronger, more valuable companies in the region."

Global capital eyes big ticket deals

The impact of private equity on deal-making could be seen in activity across the region. After Poland, which was the largest private equity market despite a drop from 99 to 74 deals, Russia became close second as it saw the number of private equity deals surge from 47 to 73. Turkey saw deal numbers rise to 45, while Romania saw an increase to 32 and Bulgaria saw deal numbers almost treble to 29. Hungary, Croatia and Serbia saw more deals than in 2020, while Czech Republic's volume remained stable at 43.

Graham Conlon said: "It used to be rare to find a deal of a few hundred million euros or more, but there are increasing numbers of big ticket deals and we are seeing more in the EUR 1billion-plus range. Private equity is no longer just about local players because bigger players in London or elsewhere are starting to take the region much more seriously."

Tamas Nagy at EBRD said: "These markets are developing and growing so that companies are becoming larger and that means they invite more interested investors. A few years ago if you wanted to deploy EUR 100m there were only a handful of companies you could buy, but fast forward to today and those opportunities are coming up much more frequently."

The scope and ambition of dealmakers is illustrated by the fact that the entry point into the top 10 largest private equity related deals in 2021 was EUR 600m, following a pattern that has become firmly established in recent years. There were increased deal numbers across the three busiest sectors as Telecoms and IT, with 101 deals, overtook real estate and construction, with 83, as the hottest sector, followed by manufacturing with 56.

The region is becoming a prolific location for technology start-ups which play into its strengths in turning out well educated people capable of quickly building businesses that can compete on a global scale, as illustrated by the number of unicorns emanating from CEE.

Milan Kulich at Advent said: "We have witnessed an accelerated shift towards e-commerce exposed business models including customer facing platforms as well as fulfilment providers. In addition, digitalisation has become a must across sectors. At Advent, we invested significantly into internal and external resources to drive this development in our portfolio companies as well as recognising these value creation opportunities when reviewing new deals."

Deal drivers

In the early days of private equity in CEE, returns on investment were driven by turnarounds and modernising businesses, but there are now broader motivations behind deals as emerging Europe has become increasingly attractive to the private equity sector and attention that might previously been directed towards Asia is now being turned on the region.

Funds can still find companies that have a lower cost of doing business than further west and because they produce goods and services sold into the west they provided an opportunity to benefit from stable and healthy countries in the EU.

The long-awaited flood of succession-driven deals is finally starting to arrive, as founders from the first wave of private companies look at their next steps three decades on when they may find their children do not want to take over the business. However, other deal drivers are coming into play. According to Milan Kulich at Advent, turnarounds still have role, along with corporate carve outs and value creation opportunities and – more recently – opportunities to take minority stakes in high growth assets.

Success breeds success

Emerging Europe is increasingly offering private equity interesting targets thanks to the innovation of its entrepreneurs who have created a host of new businesses that are growing to a size where they are attractive to buyers and can contribute to deal flow.

The creation of unicorns and a pipeline of multi-million euro deals has helped focus attention on the region and means more global private equity funds are screening emerging Europe for opportunities, though those already operating on the ground are by no means a pushover. Healthy competition means private equity looks well placed to account for even more than the 20% of M&A deals it already underpins.

Tamas Nagy at EBRD, said private equity activity was nowhere near reaching a ceiling and added: "To my mind the opportunities for private equity are ever increasing. I believe that entrepreneurship is coming into its own. There are some great stories coming out and success breeds success."

"Private equity has the skills to grow a business and develop efficiencies. There's growing pressure to be mindful of the obligations in relation to ESG and especially E-for-environment."

Graham Conlon, CMS Ukraine

Emerging Europe fortifies investment hub position amidst 2021 VC boom

Stefan Stoyanov
Head of Global M&A Database,
EMIS

It is safe to say that the emerging Europe region now occupies a unique position in the European investment landscape. Previously of little interest to large international players and an area mostly reserved for angel investors who made their fortunes in the early days of capitalism, today the region boasts fast-growing economies and increasing influence, making it an unmissable investment opportunity.

While European markets remain volatile as investors grapple with concerns over new Covid-19 restrictions and tighter central bank policy, CEE/SEE countries have weathered the economic and social uncertainty relatively well. The region is developing as a popular and lucrative venture capital market, and has been demonstrating steady deal figures.

Emerging Europe venture capital activity registered 308 deals in 2021, the highest annual deal count ever and a record increase year-on-year of 74%. The surge in deal flow accounted for an even more impressive one in the aggregate value of VC deals, which reached EUR 7.7bn—more than double year-on-year and beating 2019's number, EMIS data show. As the shift to remote work diminished the importance of physical presence in traditional VC hubs, and investor confidence recovered from the early days of the pandemic, start-ups have also benefited from sustained demand for remote digital products and services. The influx of foreign investors into the region's gradually maturing start-up ecosystem has also led to an unprecedented number of unicorns and decacorns, and the launch of at least 13 funds focused on supporting local founders at various fundraising stages.

Not unlike previous years, 2021 emerging Europe VC deal activity was concentrated in a few countries. Russia was the leading destination by volume with 74 deals, followed by Turkey (53), Poland (29), Estonia (25), the Czech Republic (22), Romania (21), and Bulgaria (20). Turkey was the top VC investment destination in terms of total value invested at EUR 2.5bn, followed by the Czech Republic at EUR 1.5bn.

The Telecoms & IT sector was unsurprisingly the most active by VC deal count with 186 deals, or 60% of all activity. Manufacturing came in at a very distant second with just 27 deals, followed closely by Finance & Insurance with 19 transactions. When it comes to sector value, Telecoms & IT was again first with deals worth EUR 2.7bn, ahead by a whisker of Wholesale & Retail, which bagged EUR 2.66bn across much fewer but bigger deals on average.

Unsurprisingly, a few big-ticket investments in emerging Europe had a significant influence on 2021's results, though not to the extent seen in the previous year. There was more variety this time, with the ten largest VC deals accounting for 60% of the total value raised, and targeting companies in Turkey, the Czech Republic, Estonia, and Russia. In contrast, the ten highest-valued VC transactions of 2020 accounted for massive 81% of the total value and targeted primarily two countries: Turkey and Russia.

The single largest deal of 2021 was the eye-popping USD 1.5bn (EUR 1.28bn) funding round of Turkish e-commerce platform Trendyol. The company's fundraiser valued it at USD 16.5bn and was co-led by General Atlantic, SoftBank, Princeville Capital, and two sovereign wealth funds. In addition to helping Trendyol become Turkey's first decacorn, the deal marked SoftBank's first venture deal in Turkey.

Another e-commerce platform was targeted in the region's second largest transaction of 2021: the acquisition of Central and Eastern Europe's largest e-commerce business, the Czechia-based Mall Group. Together with delivery company WE | DO, Mall Group was valued at an enterprise value of EUR 925m by the buyer, Polish peer Allegro, which is itself owned by HarbourVest Partners. Local investment companies Rockaway Capital, EC Investments, and PPF Group were on the sell-side.

Estonian ride-hailing and food delivery start-up Bolt closed a EUR 600m funding round in August, making it the third-largest VC deal in the region in 2021. New investors Sequoia Capital, Tekne Capital, and Ghisallo, and existing investors G Squared, D1 Capital, and Naya Capital, brought the valuation of the local Uber challenger to EUR 4bn.

An honorable mention goes to Getir, Turkey's ultrafast grocery delivery start-up, which raised the equivalent of EUR 815mn in its rapid-fired Series B, Series C and Series D funding rounds in January, March, and June, respectively. The latest deal valued Getir at USD 7.5bn and is expected to help the company expand into the United States. Getir's US plans speak volumes about regional founders' ambitions to go international, which previously was a significant challenge to the local would-be unicorns. Similarly, Czech Republic's e-grocer Rohlik reached unicorn status through its Series B and Series C fundraisings of a combined EUR 290m, fueling its international expansion. Another example (though originating from the public stock market) of a local start-up making it big abroad is the IPO of New York-based robotic process automation (RPA) unicorn with Romanian roots UiPath. The company listed on the NYSE in April with a valuation of USD 31bn, a telltale sign that locally founded companies can be just as competitive across the Atlantic. The listing is not included in our report's IPO data as UiPath is perceived as a predominantly foreign company now. Its local roots, however, and the progress it has made to become a global RPA force over the past ten years, are undisputed.

All in all, 2021's numbers show an unprecedented level of maturing, deal-making discipline and sophistication. We believe that these latest successes, coupled with the region's strong technical talent, could lead to a golden-era cycle and increased internationalisation where founders who have already made a successful exit will advance to support the next generation of young entrepreneurs.

Luxembourg fund structures provide comfort to cornerstone investors

Private equity funds have been investing in emerging Europe for more than 30 years. Smaller local funds that traditionally raised money from local wealthy individuals and financial institutions are increasingly looking to attract investors from outside their domestic markets. Despite being familiar with the region and its risks, such cornerstone investors are more likely to invest in a fund set up in an established fund jurisdiction.

As one of the world's most sophisticated financial centres, Luxembourg offers fund structures that institutional investors and multinational general partners are well-versed in, and as such is playing a growing role as a bridge between Central and Eastern Europe and international investors. We spoke with Benjamin Bada, partner at CMS Luxembourg, to take a closer look at the benefits of structuring a fund through Luxembourg.

It is a sign of how far emerging Europe's venture capital eco-system has travelled that Luxembourg has become a leading destination for those seeking to set up funds to raise capital from institutional investors outside their own countries. Small-scale schemes in the region may still be able to rely on raising money at home, but for more ambitious projects the next step on the journey is to secure international backing. Particularly, venture capital investment firms and those building SME or ESG-balanced portfolios are keen to attract international funds.

Benjamin Bada said: "The trend for managers in CEE to choose Luxembourg for structuring an investment is not new, but is definitely increasing. Their first fund may not raise capital outside its own country, but it will look to Luxembourg for its second fund because Luxembourg opens the door to international investors."

At one end of the scale, those using Luxembourg as their favoured jurisdiction include funds focused on venture capital projects, while at the other are institutional investors and state-backed entities that are looking to invest in development funds across the region.

Luxembourg's attractions

Luxembourg is second only to the US as an international centre for funds and boasts a rich pool of investors who are comfortable with its legislation, its location right at the heart of the EU, and its access to EU passporting rights for financial services.

Among its many attractions are its political stability and neutrality. At the same time, Luxembourg has developed an agile financial eco-system that is constantly evolving to meet the needs of the financial community and enabling a boom in venture capital, private equity, infrastructure and alternative investment funds over the past decade.

It is home to a vast range of expertise and experience, not just among fund managers but also in the network of professional and support services such as law, accounting, banking, broking and administration, pulling in talent from around the world.

Benjamin Bada said: "Luxembourg provides an investment toolbox for different types of funds, whatever the size, geography or sectors on which they are focused. It's a cosmopolitan and multi-lingual centre that offers enormous flexibility, and that makes it a very attractive place for sponsors and managers in Central and Eastern Europe."

Fund managers from emerging Europe that are raising fresh capital are particularly keen to target international development finance institutions (DFIs), such as the European Bank of Reconstruction and Development and the European Investment Bank and its venture capital arm, the European Investment Fund, which have a long-standing presence in Luxembourg and in some instances require funds in which they invest to be structured through well-established jurisdictions.

The involvement of such cornerstone investors brings a credibility that offers other investors reassurance. Benjamin Bada described it as a "label of quality" that was particularly important in attracting international investors who may not previously have been familiar with the region.

He said: "In the past, Central and Eastern Europe was underinvested by western investors, but that is definitely changing. There is increasing interest in the region and that reflects the growing number of opportunities for investors."

A smooth process

Sophisticated investors may already be comfortable working within the Luxembourg jurisdiction, but the financial centre makes great effort to make the process of setting up and investing in funds as smooth as possible for relative newcomers.

"The challenge for fund managers in CEE is to attract institutional investors who may not be so aware of the region, but as they build up a track record and the size of their targets gets bigger, they can make the transition to larger funds with a wider investment appeal," said Benjamin Bada.

The know-how on tap means fund sponsors and managers can be guided every step of the way and not only is a wide variety of languages spoken, documentation is drawn up in English as the international language of business.

Benjamin Bada said: "There is a constellation of service providers in Luxembourg who have the knowledge and expertise in fund matters to help see the project through from the start."

> "There is a constellation of service providers in Luxembourg with wide-ranging knowledge and expertise."
>
> **Benjamin Bada, CMS Luxembourg**

The availability of expertise comes with a cost and while Luxembourg is not a cut-price option for setting up funds, the skills and compliance on offer bring a high level of confidence in it as a place to do business.

One flagship fund that has been created to plug the financing gap between state investment and private initiatives is the Three Seas Initiative Investment Fund. Set up to boost economic growth in the region by generating interest among investors, its aims include promoting energy security, smart connectivity and achieving climate goals. It is sponsored by 13 countries and has a target of raising EUR 5bn in public and private funding to unlock a further EUR 100bn in infrastructure projects.

Expertise in sustainability

Just because Luxembourg works with many long-term investment projects, this does not mean the pace of work is suited only to distant time horizons. It prides itself on its flexibility and speed in setting up funds capable of deploying capital very quickly.

This gives it a vital role to play in helping countries in emerging Europe recover from the impact of the Covid-19 pandemic by investing in enterprises that will play a leading role in the economic recovery.

March 2021 saw the introduction of the EU's Sustainable Finance Disclosure Regulation (SFDR), which obliges funds to provide detailed information on ESG-related issues and applies to firms and products as part of a concerted effort to make businesses more sustainable.

And with global attention increasingly focused on the environment, Luxembourg is building on its reputation as a centre for sustainable finance—not just as the world's leading market for green bonds, but also as a location for responsible investment funds.

SFDR is a significant milestone according to Benjamin Bada, and one that will cement Luxembourg's position as a global centre for funds that supports and encourages good environmental and social governance. He said: "It is definitely a game-changer for the market as investors' attention focuses more on corporate and social responsibility."

Record year for IPOs as regional and global stock markets vie for listings

Global IPOs surged to a record high in 2021 as around 3,000 businesses worldwide raised more than USD 600bn, beating the previous record in 2007. After a subdued 2020, IPO activity in CEE also bounced back, with the number of listings up from 26 to 116 and values up from EUR 4.79bn to EUR 13.47bn.

Most of those have been on regional stock exchanges, but one of the biggest IPOs of the year was Poland's parcel locker firm InPost, valued at EUR 9.5bn, which chose to list in Amsterdam—a reminder to international investors that CEE has become a breeding ground for unicorns.

Alasdair Steele, CMS partner and head of capital markets, chaired a round table discussion with four colleagues from around Europe, to examine what is driving IPOs and the outlook for 2022.

Alasdair Steele: We've seen a record year for IPOs globally, including a surge in IPOs of CEE companies on regional and international markets, though there have been signs of a slowdown in recent months. Irrespective of where companies choose to list, what's driving the IPO market and what have been some of the landmark deals?

Rafal Zwierz, CMS partner Warsaw: "I think the region has had some big, successful IPOs which has helped create interest. Allegro was Europe's biggest IPO in 2020 when it listed here in Warsaw and in 2021 InPost listed in Amsterdam, while retailer Pepco Group listed in Warsaw with a EUR 5bn valuation."

"Of course, unicorns are rare in the region, but it makes other companies realise they can get good valuations by going down this route. An IPO is not for everyone and it very much depends on the type of business and the specific requirements of the sellers. We're seeing more

Alasdair Steele
Partner, Head of Equity Capital Markets, CMS UK

Charles Howarth
Partner, CMS UK

Cristina Reichmann
Partner, CMS Romania

Rafal Zwierz
Partner, CMS Poland

Reinout Slot
Partner, CMS The Netherlands

"Of course, unicorns are rare in the region, but it makes other companies realise they can get good valuations by going down this route. An IPO is not for everyone and it very much depends on the type of business and the specific requirements of the sellers. We're seeing more enter a dual-track process in order to check out the possibility of an IPO premium."

Rafal Zwierz, CMS Poland

enter a dual-track process in order to check out the possibility of an IPO premium."

Reinout Slot, CMS partner Amsterdam: "Companies and shareholders are looking at the valuations and liquidity that an IPO can bring, plus all the benefits of research coverage and a broader investor base. InPost was one of the biggest global listings of the year and Amsterdam has also seen CTP logistics parks from the Czech Republic raise EUR 854m, valuing the group at EUR 5.6bn."

Charles Howarth, CMS partner London: "Yes, liquidity is very important, along with the opportunity to raise a company's profile among analysts, investors and the media. For smaller companies in CEE, it might make sense to list on a regional market, but for larger companies or those in attractive sectors, they have the option of international markets such as London. Prague-based Eurowag listed on the LSE in October and Romania's Blue Air announced it would list in London in 2022."

Cristina Reichman, CMS partner Bucharest: "The pandemic has accelerated some IPOs and channelled savings to capital markets. There were 21 listings on the main market and AeRO (Multilateral Trading Segment)

> "I think for larger companies in CEE looking beyond their regional jurisdictions, London and Amsterdam are the two obvious choices in Europe, but for large companies and those in tech and healthcare, the US has made itself an international leader."
>
> **Charles Howarth, CMS UK**

of the Bucharest Stock Exchange in 2021, exceeding even the most optimistic expectations. The numbers may look small compared to mature markets, but momentum is building on the efforts put into developing the local market and on the recent record hights for capitalisation and dividend yields, which are above the European Union average."

Alasdair Steele: After a relatively quiet few years for IPOs by CEE companies, reaching out to capital markets is once again an attractive option for businesses large and small. What do they consider when deciding whether to stay local or go global, and what makes your market attractive to them?

Rafal Zwierz: "Warsaw is the largest market in the region and can provide better liquidity than any other local market. Apart from Polish investors, many international financial investors are active on the Polish market, including foreign funds and sovereign funds. InPost's strategy is built on international expansion, so there was a logic in going to Amsterdam, but for most Polish companies, London or Amsterdam is not an option as they want to stay close to their main investor base."

"There is comfort to using your local market, working in your own language, dealing with regulators you understand and advisers you know. It's not just a matter of fees and taxes. Also, for those outside the eurozone, listing in euros means the share price may reflect currency fluctuations rather than business performance."

Cristina Reichman: "There are a lot of nuances here and it depends on the size of the company and the sector, but for small and medium sized companies, Bucharest is attractive and competitive, and there is the option of the main market or the junior AeRO market. The Bucharest Stock Exchange was promoted to a FTSE Russell secondary emerging market in 2019, which has put it on a wider radar for investors."

"The hard costs of listing are low compared to, say, London, and there are also favourable soft costs such as familiarity and precedent set by other companies. For larger companies, the success of UiPath (an indigenous Romanian company) with its New York listing in spring 2021, has opened the door to the higher league and others will follow, such as Bitdefender which has announced plans to list in the US."

Alasdair Steele: Perhaps my colleagues in London and Amsterdam could suggest why CEE companies should look to their markets, though I don't expect either to recommend the other as the better place to list!

Charles Howarth: "I think for larger companies in CEE looking beyond their regional jurisdictions, London and Amsterdam are the two obvious choices in Europe, but for large companies and those in tech and healthcare, the US has made itself an international leader."

"London has the regulatory and investor base that will help them to grow their businesses by being listed here. There is far more liquidity in the UK than any other market in Europe. We have the expertise, a large banking community, analysts who can understand, and research companies."

Reinout Slot: "I would argue that factors in favour of Amsterdam are that it is the largest market by volume of trading since Brexit. It has the highest liquidity in the EU. More so than some of its neighbours, Amsterdam is a very international market and has a high proportion of non-domestic companies. Amsterdam also is the largest exchange outside of the US for listing SPACs (special purpose acquisition companies)."

Alasdair Steele: Without wishing to open up old wounds, in what way do you think Brexit has changed things and does it mean London will lose out to Amsterdam?

Reinout Slot: "I don't think London will lose out; it is a huge stock exchange and will continue to be so. But the fact that London is now outside the EU may be a consideration when people are deciding where to list. There hasn't been a concerted effort by Amsterdam to grow business since Brexit, but it is happening. In the end it's not about marketing, it's about how beneficial a jurisdiction or a market is for the purposes of the company that is listing."

Charles Howarth: "For better or worse, we're now outside the EU and have the opportunity and freedom to make our own rules and become a beacon that attracts more international companies and helps them grow. There are various consultations going on in the UK about what reforms are needed, for instance to realign the regulatory regime so that any obstacles created by Brexit are removed. Amsterdam's acceleration has been and continues to be impressive, but I see the US markets as the strongest competition for both London and Amsterdam."

Alasdair Steele: Technology and healthcare have been thrust into the limelight by the pandemic. Has this been reflected in IPO markets and what does it mean to more traditional sectors?

Cristina Reichman: "The spectrum has widened in Bucharest. The three main market listings in 2021 were Aquila, in consumer goods distribution; One United Properties, one of the largest developers of residential, mixed-use and office real estate; and TTS naval transport, while AeRO is a diverse mix, from IT to agricultural. The technology and start-ups sector in Romania is packed with companies capitalising on growing demand. There are many fintechs that have scaled up and are in the international league now, and may choose to go to markets where there are specialist investors and analysts."

Reinout Slot: "Amsterdam has had a fair number of tech companies listing. People tend to want to list where similar companies are listed. The Netherlands is traditionally a trading nation and there is less of an industrial background, and that's reflected in listings in Amsterdam. Maybe we're more open to fintech in particular because there is less of a traditional banking base to protect."

Rafal Zwierz: "There's a lot of interest and activity in gaming, renewables, pharmaceuticals, biotechnologies and e-commerce. The way these businesses operate is similar everywhere in the world and investors understand them, so it doesn't matter where they are listed, and because these sectors are hot around the world, they are more likely to get a higher valuation as an IPO than a private transaction."

Charles Howarth: "The problem for London and European markets is that the US has become the dominant market for tech and healthcare. It's an area we have got to get on top of, otherwise companies from the UK and the rest of Europe will look across the Atlantic to do their IPOs. London continues to have world-beating expertise in traditional areas such as insurance, banking, mining and oil and gas. Energy and minerals need to adapt to help the world meet sustainability requirements, for instance in the production of lithium for batteries, and London is the place to turn to."

Alasdair Steele: Global equity markets enjoyed a rebound in 2021, which was reflected in IPO activity, tempered towards the end of the year by uncertainty around Covid-19 and the prospects for recovery and inflation. Do you think the enthusiasm for IPOs is sustainable in 2022?

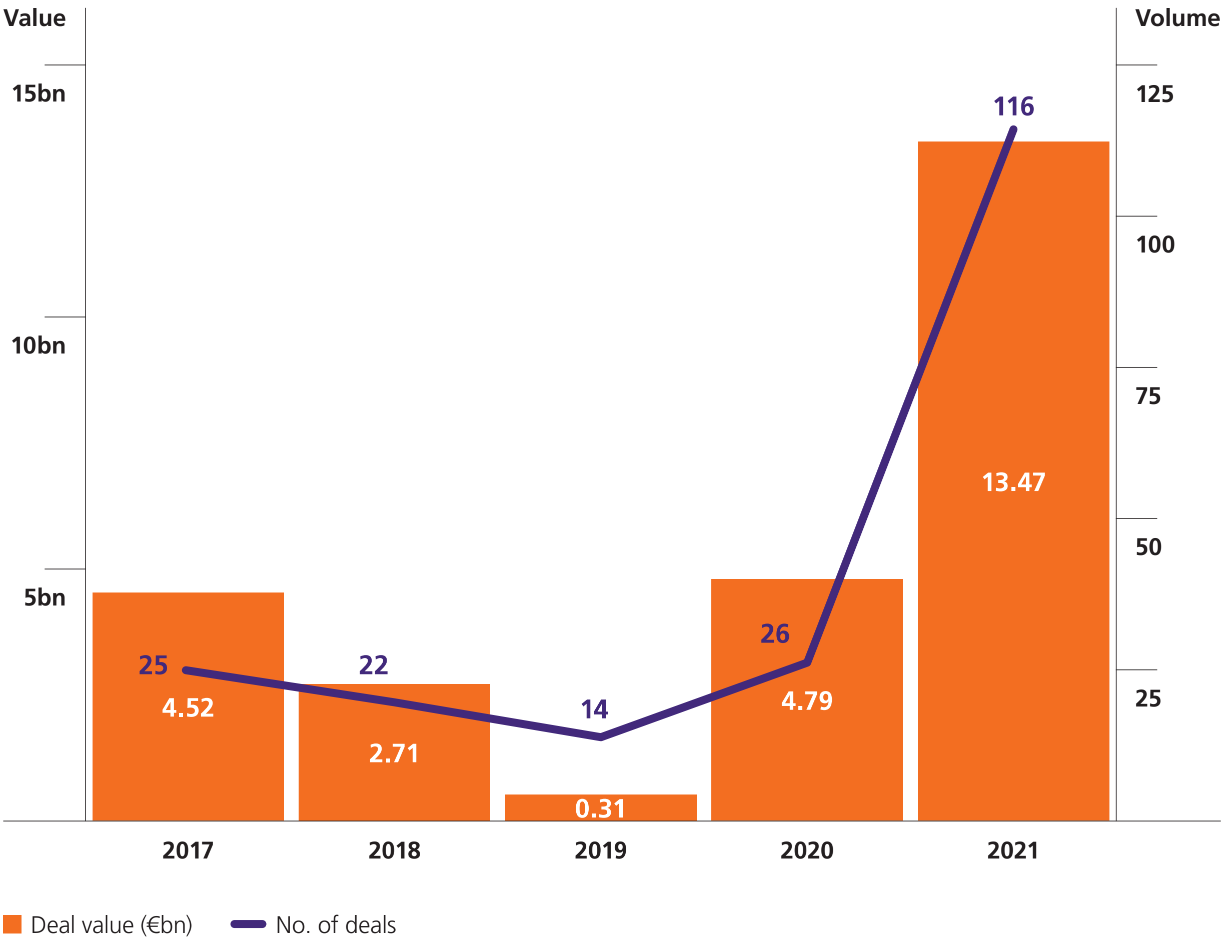
Reinout Slot: "I think the outlook for Amsterdam is probably better now than at any time in the past 20 years. For the first time in a while, we are seeing some very large non-Dutch companies coming to Amsterdam. The market is growing in absolute and relative terms, so all the signs are positive in that sense, and even though markets expect the tapering to unwind and interest rates to go up, the underlying drivers for IPOs are still there."

Cristina Reichman: "There is a good pipeline of Romanian companies and the Bucharest Stock Exchange has moved into a more mature stage, so I can see the momentum continuing to build. The attractiveness of Bucharest has increased for investors and companies. It is expected that the process of listing state-owned companies will be resumed, in keeping with the commitments in the Romanian Recovery and Resilience Plan. For Romania-founded companies, such as Bitdefender, that are global players, it will be more natural to look to raise capital abroad."

Charles Howarth: "There are many grounds for optimism. The Treasury and the FCA are taking the opportunity at last to adapt and change quickly. Standing outside the EU now gives us advantages in terms of ability to adjust regulations quickly and we must embrace that. We see no reason why more CEE companies shouldn't see London as the international market of choice for listing."

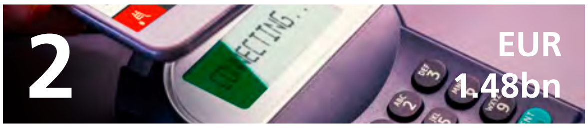
Rafal Zwierz: "There is a strong pipeline of companies looking to IPO in Poland and we see a lot of action. We hope it's going to be a sustainable trend, but certainly it is a big change compared to the last few years with significantly lower activity. Investors still have a lot of trust in Poland and it will be interesting to see how they react to recent increases in inflation."

Alasdair Steele: After the past year, IPOs are firmly back on the agenda. It's not an option for every company and whether they list on a domestic or an international market depends on individual circumstances. But the success of Allegro in 2019 and UiPath and InPost in 2021 has certainly energised markets and served as a reminder to stock exchanges that they can't just sit and wait for companies to come to them. If they want to be seen as a place to IPO, they have to go out and win business.



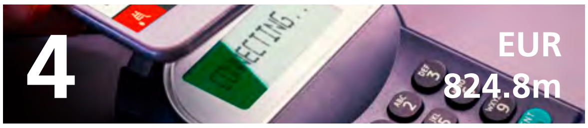
Top 10 IPOs of 2021

Target: **InPost**
Country of Target: **Poland**
Sector: **Transportation & Logistics**
Stake: **40.3%**
Stock Exchange: **Euronext Amsterdam**
Value source: ***Official data***



Target: **Fix Price Group**
Country of Target: **Russia**
Sector: **Wholesale & Retail**
Stake: **21.3%**
Stock Exchange: **London Stock Exchange (LSE) | MICEX-RTS**
Value source: ***Official data***

Target: **CTP**
Country of Target: **Czech Republic**
Sector: **Real Estate & Construction**
Stake: **15.4%**
Stock Exchange: **Euronext Amsterdam**
Value source: ***Official data***



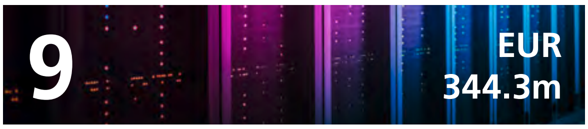
Target: **Pepco Group**
Country of Target: **The Netherlands; Poland**
Sector: **Wholesale & Retail**
Stake: **16.1%**
Stock Exchange: **Warsaw Stock Exchange (WSE)**
Value source: ***Official data***

Target: **Hepsiburada.com**
Country of Target: **Turkey**
Sector: **Telecoms & IT**
Stake: **20%**
Stock Exchange: **National Association of Securities Dealers Automated Quotations (NASDAQ)**
Value source: ***Official data***

Target: **Baltic Classifieds Group**
Country of Target: **Estonia; Latvia; Lithuania; United Kingdom**
Sector: **Telecoms & IT**
Stake: **46%**
Stock Exchange: **London Stock Exchange (LSE)**
Value source: ***Official data***

Target: **United Medical Group**
Country of Target: **Russia**
Sector: **Education & Healthcare Services**
Stake: **44.4%**
Stock Exchange: **MICEX-RTS**
Value source: ***Official data***

Target: **Huuuge Games**
Country of Target: **Poland**
Sector: **Telecoms & IT**
Stake: **39.5%**
Stock Exchange: **Warsaw Stock Exchange (WSE)**
Value source: ***Official data***



Target: **Softline Holding**
Country of Target: **Russia**
Sector: **Telecoms & IT**
Stake: **29%**
Stock Exchange: **London Stock Exchange (LSE) | MICEX-RTS**
Value source: ***Official data***

Target: **Segezha Group**
Country of Target: **Russia**
Sector: **Manufacturing**
Stake: **24.5%**
Stock Exchange: **MICEX-RTS**
Value source: ***Official data***

"It would be encouraging if we saw not only public takeovers and delistings from the domestic exchanges, but also smaller companies and successful start-ups considering listing as a way to raise capital for growth."

Marija Tešić, CMS Serbia

A closer look at public M&A deals in the Balkans

Although purely based on statistics, public takeovers in the former Yugoslav republics seem to be in a healthy condition with 15 out of 39 investments in or acquisitions of listed companies across emerging Europe taking place in these states. A deeper look reveals an entirely different picture.

For historic reasons mainly linked to the post-socialist privatisation process, a number of companies in this region are still publicly traded. On the other hand, very few companies have listed on domestic exchanges in recent years. In this article, Marija Tešić of CMS Serbia, and Saša Sodja of CMS Slovenia, consider the state of equity capital markets and public takeovers across the western Balkans.

Capital markets in the western Balkans are, as a rule, quite silent.

Marija Tešić says: "Public joint stock companies are historical facts; they ended up on the stock exchange mostly as part of a privatisation or ownership transformation. Many listed companies have a large number of minority shareholders, mostly employees and former employees, or in some cases all adult citizens of a country." A good example is the tourist industry in Croatia, where many hotels and resorts have been subject to public takeovers in recent years.

Other companies are joint stock companies due to applicable regulatory regimes, which is the case in banking sector. Tešić adds: "Furthermore, contrary to the rest of Europe, there are almost no initial public offerings in this region". IPOs on the domestic stock exchanges are few and far between, such as the 2018 IPO of Fintel Energija on Belgrade (the first in 78 years) and the listing of Span on the Zagreb Stock Exchange – the first in 18 years. Other exchanges in the region are even less active.

The large number of minority shareholders is one of the main obstacles in public takeovers gaining approval from local regulators. Marija Tešić says: "When considering takeover bids, as a rule regulators struggle with minority shareholders being unsatisfied with the price offered. Individual shareholders are mostly unfamiliar with the legal requirements and may respond quite emotionally to an offer". Unfortunately, the rare takeovers that do happen end up in court, and are usually resolved in favour of the minority shareholders. This challenging regulatory regime discourages foreign investors from investing in public companies.

Saša Sodja says the similar: "In our experience, common issues and potential disputes are related to sale conditions, especially the offered share price, in takeover bids or in subsequent squeeze-outs, and particularly in the case of voluntary bids. It is also difficult to predict beforehand how regulators will decide certain issues."

In Slovenia, public takeovers are relatively frequent. In 2021, it saw the largest public takeover in the region with OTP bank of Hungary's EUR 1bn acquisition of Nova KBM. Saša Sodja says: "The Slovenian legal regime, which may seem unusual from the perspective of other countries in the region, subjects not only listed companies to a takeover regime, but also non-listed joint stock companies whenever the criteria regarding size is met. This results in a higher number of public takeovers."

She continues: "The aim of the Slovenian regime is to protect minority shareholders, but the regime is not itself intended to contribute to a more eventful capital market; at least, as long as the takeover is not hostile." Although the primary goal of the regulation, i.e. fair consideration to minority shareholders, is protected, in recent years the takeover procedure has again evolved into just another legal formality before commencing a squeeze-out.

There is no magic formula to improving the status of capital markets in the western Balkans. Marija Tešić says: "It would be encouraging if we saw not only public takeovers and delistings from the domestic exchanges, but also smaller companies and successful start-ups considering listing as a way to raise capital for growth".

Norway sheds light on how CEE can be a beacon for data centres

The exponential rise in global computing power and data storage is driving unprecedented demand for digital infrastructure, and particularly for data centres, which is opening up huge opportunities for CEE. The region has made a good start in establishing itself as a prime location for data centres and should look to Norway's success as a possible roadmap for the way ahead.

> "Digital transformation is at the heart of future prosperity and resilience for CEE countries. Data centres have a crucial role to play in this transformation and the region can benefit by attracting international investors in this sector."
>
> **Eva Talmacsi, CMS UK**

Digitalisation has accelerated during the pandemic as governments, businesses and consumers have embraced the digital economy. Working from home and shopping online have become the norm, while the drive towards cloud computing, 5G, AI and smart cities is increasing the need for data centres to process and distribute ever-increasing quantities of information at faster and faster speeds.

Within CEE, internet usage is rising rapidly, driving demand for data centres to serve the region. Its growing reputation as a hotbed of technology and innovation means it is also attracting attention as a location for data centres to serve customers elsewhere in Europe and beyond.

Providing the conditions to encourage investment in data centres can help drive economic growth, creating huge opportunities for CEE, as set out in CMS CEE Digital Horizons report published in December. It is already attracting users from the ICT, finance, insurance and utility sectors as well as public administration, and there are huge opportunities for growth.

Eva Talmacsi, CMS partner and co-head of the CEE TMT practice, said: "Digital transformation is at the heart of future prosperity and resilience for CEE countries. Data centres have a crucial role to play in this transformation and the region can benefit by attracting international investors in this sector. Norway's success in this area is outstanding and there is a lot to be learned from its approach and its ambitious vision to become an international data centre location."

Norwegian know-how

Norway introduced a data centre strategy in 2018 and updated it in 2021. It sets out Norway's vision to make the country a magnet for data centres and to use the sector to help drive economic growth, with the government forecasting the number of jobs in the sector to rise from 2,000 to 11,000 by 2025.

The strategy is built on creating a stable framework for the industry, removing certain property taxes on machinery and accessories, keeping down tax on electricity, developing ICT skills, and encouraging sustainable energy use. The Norwegian Data Centre Industry Association has also been set up to represent the sector.

Belinda Ingebrigtsen, CMS partner, Norway, said: "Norway was the first country to develop a data centre strategy. The strategy is an ongoing process which is still evolving. As an economically and politically stable country, Norway is an attractive location for data centres and there aren't many obstacles when coming to Norway to do business here."

The data centre-friendly approach seen in Norway runs through the planning and construction process, as well as in the operation of data centres. As a major energy producer with a high proportion of renewable power, Norway can not only offer low-cost electricity, it also helps companies address mounting sustainability challenges. Belinda Ingebrigtsen said: "As an oil and gas nation, our government wants other feet to stand on and building on these green industries is a major point of focus in Norway."

The country's energy heritage has left it well-equipped with engineers and electricians to work on the construction and operation of data centres, and the state actively encourages closer ties between the data industry and education to develop a well-trained ICT workforce. Although the demands of the sector were initially focused on serving Norway's domestic need for data centres, there has been an increasing focus on marketing the country as an international hub for data centres.

Data centres tend to be clustered around the largest cities, and as intensive energy users, a topic of debate is how to harness waste heat for projects such as district heating systems and even fish farms. Agreements for such projects have already been entered into.

Belinda Ingebrigsten said: "Norway is unique in many ways and has been working in the data centre field for several years. To be able to provide secure and stable data centre services, to be predictable and to deliver projects on time, the key lesson is to have the site and the infrastructure, such as fibre, cables, and electricity in place as soon and as ready as possible, and this needs planning. Stability is very important and you know if you are building a project in Norway the rules are not going to change suddenly."

According to Eva Talmacsi, many countries in the CEE region are still in the process of transforming from economies dependent on manufacturing or fossil fuel reserves into more diverse innovation-driven economies built on investment in supercomputing, AI, cybersecurity and digital innovation hubs. She said: "To drive this digital transition, the region needs to attract and encourage investment in digital infrastructure including data centres, just as Norway is doing."

CEE's digital foundations

CEE already meets some of the criteria set out by Norway, including the availability of well-educated and skilled IT professionals, a resource that international companies have already tapped into for R&D and programming. While there is room for improvement to digital infrastructure, particularly in rural areas, CEE has made big advances in closing the gap on western Europe. Many countries have attractive tax systems and support to lure foreign investment, along with relatively low construction costs and land prices.

Belinda Ingebrigtsen said: "To be a data centre nation, you need to prepare so that everything is in place to reduce the time to market. In Norway, the industry has shown that it can work with a wide variety of customers and is capable of meeting deadlines and delivering on contracts."

Eva Talmacsi said: "Norway has a lot to teach CEE, in particular the willingness to embrace the data centre industry and to foster its growth by coordinated incentives implementing a long term vision. CEE has got the foundations in place to build on its early success and use data centres to drive digital transformation; it is now up to national governments to draw lessons from Norway's success."

The future of telecom businesses is in the cloud

Across emerging Europe, Telecoms and IT has become the most active sector in terms of M&A by a significant margin. This also holds true for markets such as Serbia, Croatia, Montenegro, Albania and Slovenia, which in recent years have witnessed a healthy stream of transactions in the sector from small software companies and start-ups to nationwide telecom providers and cable companies. It is a sector that is rapidly developing and those that do not innovate risk to lose out.

In this article, Marija Zrno Prošić and Tamara Jelić Kazić from CMS Croatia look at how telco companies are transforming themselves into IT and cloud-based service companies to keep up with technological developments and customer demands.

Telecommunication companies have undergone seismic changes since the early 2000s. The traditional markets of fixed lines, radio and television have gradually been replaced by the vast potential of online services. In the last two decades, conventional telecoms have swayed away from heavy infrastructure such as transmitters, data centres, towers, cables, and replaced them with cloud solutions.

This drive towards new cloud horizons was so strong that a completely new market has emerged: a market of pure, cloud telco companies. The services offered by these new businesses with cloud-native infrastructure have started affecting and shaping our lives on many levels. This strategic change has also led to new types of transactions, in particular the carve-out of telco infrastructure assets such as towers and cables, which in turn have become interesting assets for investors in their own right. Although not yet as frequent as in western Europe, in the last two years we have seen the investments into the tower infrastructure of Polkomtel and Play in Poland, the sale of a 30% stake in CETIN (holding tower and cable networks in the Bulgaria, Czech Republic, Hungary and Serbia) to GIC, and there are strong indications that other players in the CEE region will follow suit. The M&A activity in the IT sector has been making the headlines as well, especially the R&D driven investments, with big-ticket players like Porsche expanding their global innovation networks to this region.

However, investor interest is not only in the multi-billion telco infra deals, but goes much wider. From 279 transactions in 2018, the annual dealflow in the sector has gradually increased to 450 in 2021. It has also become the sector with the highest cumulative deal value, reaching EUR 23.4bn in 2021. Interestingly, while traditional telco transactions were collectively good for 86% of the deal value in 2018, now they make up just 38% of the total with the rest of the money being splashed on IT acquisitions.

Transforming conventional telco companies
"If conventional telco companies want to successfully avoid eroding their position on the market, and tackle the current uncertainties coming from high customer expectations and assertive new competitors, they will have to develop robust, future-facing tools for the transformation of their business," says Marija Zrno Prošić.

"We see that internal corporate restructuring is a useful tool to address efficiency issues.
Telco operators used to be focused on the infrastructure-side of business, but once sufficient infrastructure coverage was achieved, it became evident that new growth generators were needed."

The carve out of the infrastructure business, which was discussed in detail in last year's Emerging Europe M&A Report, enables them to achieve business efficiencies and focus on new products and digital services.

The rapid rise in digital services has also led to the increasing importance of data centres. To achieve optimum business results, companies are restructuring their businesses by choosing new locations for their data centres and reallocating their business operations within the group (for our article on data centres in emerging Europe see "Norway sheds light on how CEE can be a beacon for data centres" on page 42).

Moving to cloud-based telco businesses
"Conventional telcos doing business in a conventional manner seem to be losing customers to emerging cloud service providers," says Tamara Jelić Kazić. "These new platforms support the new ways of living, including 5G mobile networks, autonomous cars, the IoT, lightweight authentication protocols, the storage of immense amounts of data, and remote accessibility."

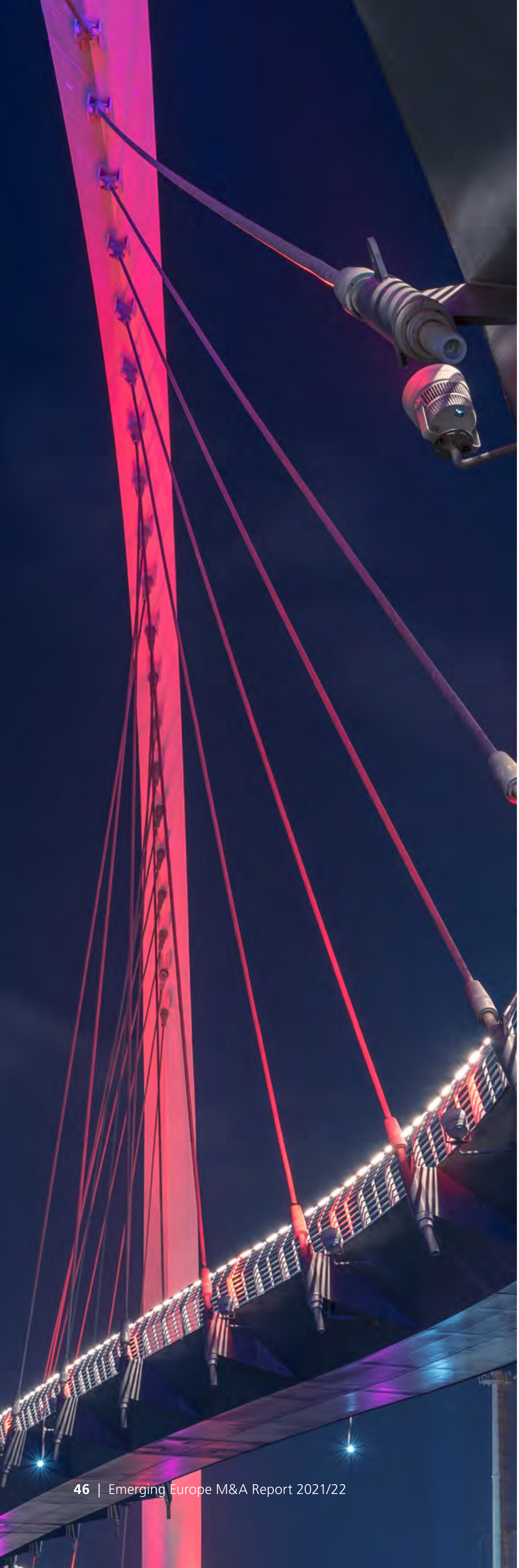
Cloud-services companies often have an agile team structure and can quickly transform their business and production processes. They tend to be successful in cross-selling and upselling their services, and growing new revenue streams. As cloud demand continues to grow, many telco companies have been focused on inorganic growth to increase market share, translating to significant M&A activity focused on complimentary businesses. Tamara Jelić Kazić adds: "However, this explosive growth renders cloud telcos vulnerable to many integrating challenges, including company culture, compliance and tax exposures."

The global expansion of cloud telco companies potentially triggers tax obligations in (offshore) jurisdictions where the business has not been formally established but there is certain connection to the particular jurisdiction, such as the employment of local personnel. Tamara Jelić Kazić says: "The issue has come to the fore particularly during the pandemic, as a result of which home-office has become recognised as ordinary way of performing work. Suddenly, local workers employed by a foreign cloud telco company have become a permanent establishment topic and a tax issue." The nature and scope of their workers' activity are scrutinised by authorities to exclude or confirm whether such engagement triggers tax obligations on cloud telcos in the home country of their distant workers. Even the service agreements concluded by cloud telcos may come under permanent establishment-related scrutiny by local tax administrations.

Other common issues faced by these companies include tax and VAT issues related to server permanent establishments for VAT purposes. "Compliance with administratively burdensome local VAT rules has not made cloud business easy tax-wise," says Tamara Jelić Kazić.

Challenges ahead
Both conventional and cloud telco companies have their fair share of challenges ahead. While conventional businesses need to focus on their transformation and define what is core to their business and what is not, cloud companies need to match their rapid growth with strong internal processes and compliance.

At the same time, companies across the Telecoms and IT sector need to pay close attention to growing ESG requirements, such as meeting demand for data and connectivity without adding to greenhouse gas emissions, keeping up with increased exposure to security and reputational risks, and tackling governance exposures like jurisdictional uncertainties or known restrictions on the use of voice over internet protocol (VoIP).One thing is certain: the future of telecoms and IT is certainly intriguing.



Talent and investment flows both ways between CEE and UAE

United Arab Emirates (UAE) was the 10th largest foreign investor in CEE in 2021 by deal numbers, which were up from 12 in 2020 to 18. But investment from the Middle East tells only part of the story. As John O'Connor, CMS partner in Dubai explains, investment and talent flows in both directions.

UAE investors were active in 2021 with deals such as the EUR 1.27bn acquisition by Trendyol.com in Turkey through a consortium including UAE investors, UAE's Masdar investing in Polish windfarms and Eagle Hills of UAE buying a stake in Sunce Hoteli in Croatia. Is this a growing trend?

There is a well-trodden path for investment between UAE and CEE. While those investment routes are not on the same scale as the UAE enjoys with, for example, the UK or US, investment into CEE has been consistent over the years and appears to be growing. It is not one-way traffic though, and more and more companies from the CEE region—numbering in the hundreds—are investing and operating in UAE and the wider Middle East.

What are the attractions of CEE as far as UAE investors are concerned?

They see it as a stable region with stable economies, especially when contrasted with what we have seen in various Western European countries in recent years. CEE also offers a relatively low barrier entry point into EU markets for industries such as automotive, retail, technology and hospitality, but it's also an interesting market in its own right. There is a sophisticated community of business people and advisors able to assist UAE investors navigate through transactions, and UAE investors feel relatively comfortable doing business there.

Are there any countries or sectors that are of particular interest?
Historically, UAE investors have worked across CEE. Recently we have seen a lot of interest in the Czech Republic, Romania and Hungary, but sentiment is by no means limited to those countries—we have also seen interest in Turkey, Ukraine and Bulgaria recently.

There are three main types of investors from the UAE for these purposes: (1) local conglomerates (typically family-owned businesses); (2) state-owned enterprises; and (3) sovereign wealth funds, each of which has a slightly different outlook. For local conglomerates, real estate and retail (including automotive) is a strong part of their outbound strategy and something they are very comfortable with, whether it's hospitality, student accommodation or offices. These businesses are starting to diversify into other sectors as well though, such as agritech, fintech and autotech, which the local conglomerates can seek to bring home to the UAE to benefit other verticals in their groups.

State-sponsored investors generally focus on more defined sectors, such as ports/transport, energy and defence, while sovereign wealth funds look at larger infrastructure, telecoms and logistics projects, and they tend to have a large minimum size of investment. For the sovereign wealth funds, having a high minimum size of investment makes it more difficult to find deals of the right magnitude in CEE.

One of the features of Covid-19 was that the UAE (and other Middle East countries) recognised that their food sources relied too heavily on imports, potentially leaving them in a vulnerable position if trade was disrupted. The UAE's National Food Security Strategy has become a greater feature of outbound UAE investment in light of this, where the UAE is looking to acquire farmlands and food/water technologies (including in CEE) to bring that technology and captive supply or food and water into UAE.

In terms of investment flowing into UAE, what are the attractions of UAE as a place to invest and do business? Are there any challenges?
UAE's tax-free status makes it a very attractive place to work and do business. Over time, there will be some changes to corporate and income taxes in light of Pillar 2 of the OECD's BEPS Strategy, but for the time being, the status remains very attractive.

The UAE has a clear public policy to be as attractive to foreign business and talent as possible. This has resulted in the UAE reducing barriers to entry such as costs and time required to set up businesses, easing restrictions on foreign investment, and enhancing the ability of businesses to employ talent more easily. These measures are intended to make it more attractive for foreign businesses to access the UAE market, and for their UAE hubs to be a springboard into the wider Middle East.

> "Historically, UAE investors have worked across CEE. Recently we have seen a lot of interest in the Czech Republic, Romania and Hungary, but sentiment is by no means limited to those countries—we have also seen interest in Turkey, Ukraine and Bulgaria recently."
>
> **John O'Connor, CMS Dubai**

The UAE offers a good quality of life to encourage international talent (and their families) to feel comfortable relocating and living in the UAE. The government, the regulatory regime and law feel very familiar to international investors and there is a strong network of advisors, service companies and professionals to provide the support international business needs. English is the language of business in UAE.

All of these things make it a very attractive place to do business across a wide range of sectors, from tourism to transport, food processing to financial services and robotics to AI technology. Costs such as real estate and salaries can sometimes be high in the cities of Dubai and Abu Dhabi in particular, but they are lower in other parts of UAE.

How do you see the relationship between UAE and CEE developing in 2022 and beyond?
Many UAE businesses put investment on hold during the pandemic in 2020 and H1 of 2021. Those businesses are now sitting on relatively large accrued capital and are looking to deploy funds. There are only so many targets in the Middle East, so it is natural that they will be looking at other parts of the world and I would expect to see more deals in CEE, but it takes time to build relationships and create the right environment, so I expect it will be a slow build rather than any sudden dramatic increase in activity.

One aspect which could feature in this outbound investment is ESG investing. ESG has perhaps not had the same amount of focus in the Middle East as it has in Europe, however there are increasing drivers for investors, especially listed PJSCs in the UAE, to invest based on ESG principles. We would be interested to see how this drives deals for outbound investment into CEE in 2022.

Commercial seed planted by UAE's Al Dahra grows into a mighty food producer in Romania and Serbia

Al Dahra Holding of the UAE has become an agricultural powerhouse in Romania and Serbia after investing in the region in 2018. It bought privately owned Agricost in Romania, where Braila Island is Europe's largest consolidated farm, spread over 135,000 acres, and it bought 45,000 acres of state-owned farmland near Belgrade.

Since its foundation in 2005, Abu Dhabi-based Al Dahra has rapidly grown into a major international agribusiness. Initially created to provide food security for the UAE, it has developed into a multinational commercial food producer and trader, operating in 17 countries, with around 400,000 hectares of land and generating approximately USD 2bn of annual revenues.

It was wholly owned by the Al Nahyan family, a member of the Abu Dhabi royal family, until August 2021, when it became 50% owned by ADQ, Abu Dhabi's newest sovereign wealth fund.

The business's main markets are the Middle East and Asia. It produces animal feed and grains at its farms in Romania, where Braila Island enjoys access to the Danube and the Black Sea. It produces animal feed, and operates a dairy farm and apple orchard in Serbia. It has continued to invest heavily since 2018, and in October 2021 opened five new animal feed plants in Serbia, Romania and Bulgaria.

Romania and Serbia are key jurisdictions for Al Dahra, not just because of their size, but also the opportunities the group sees there. Historically, these are agricultural countries and they do farming very well.

One of the attractions of these jurisdictions is the relatively low cost of land, but these locations also have good logistics.

Agricost in Romania was privately owned, while the Serbian farms were bought from the state in a privatisation. Both were complex deals that will have involved building good relations between all of the parties involved.

These sorts of transactions enable the Al Dahra group to help and support local communities, and ensure there is undisrupted food supply to different populations in these jurisdictions.

Often the completion of deals of this kind is just the first part of the task, and the next key challenge is integrating the business into the culture of the organisation.

The buyer will often need to provide reassurance to the existing local management and employee body, as well as integrating the business into the culture and way of doing business of the larger group, which may differ significantly from the previous owner's strategy.

It's clear that Al Dahra is continuing to look at opportunities in Romania and Serbia, as well as the wider central and eastern European region, and now has established bi-lingual legal counsel in both jurisdictions who can build on the experience should further acquisitions arise.

With ADQ now a shareholder, Al Dahra is poised to continue its rapid growth, expand its global agriculture and food procession operations, and cement its role in UAE food security. It's strategy will be closely aligned to that of ADQ's in its food and agri sector.

Ever-closer ties between Israeli investors and CEE

The potential investment opportunities in CEE are nothing new to Israeli investors, who have long-standing ties with the region. We talk to Louis Glass, head of CMS's newly-opened Tel Aviv office, about the bonds between the two.

Israeli investors have cut a well-trodden path to CEE and their enthusiasm for the region has only grown stronger as it has emerged as a hotbed for technological talent. In 2021, Israel confirmed it was a consistently important source of investment in the region, ranking the 17th largest foreign investor by number of deals, with 11 transactions, following on from 22 over the previous two years. For a country of Israel's size, this is very significant activity.

According to Louis Glass, who manages the CMS Tel Aviv office and heads the firm's TMT sector M&A group, the headline deal numbers do not reflect the broader level of investment activity generated from Israel. He says: "The fact that Israelis are doing business in the region is nothing new but, as these markets become more developed and open up, they become more interesting to Israeli investors."

In the past, real estate, construction and manufacturing were the sectors that attracted most interest, but today there is a strong focus on technology, renewable energy and fintech which provide areas of mutual interest for Israeli investors and entrepreneurs and their counterparts in CEE.

Glass calls these sectors a 'sweet spot' for Israeli investors and says: "There is so much talent in software architecture and engineering in CEE but world-class entrepreneurial talent is rarer. Israel has vast technology talent too, but it is increasingly expensive, so what Israel can offer is the entrepreneurial skill that transforms CEE engineering capability into something compelling."

In some cases, the aspiration to secure software talent has created a hybrid form of M&A known as "acqui-hiring". Common in the US and to some extent elsewhere in Europe, on such deals the buyer's motive is as much to recruit talent and expertise as gaining control of its products or services.

Although deals in CEE involving Israeli investors in 2021 were typically smaller transactions, they highlight the hot sectors that are attracting interest from Israel, such as the purchase of Croatian online ticket company GetByBus by Israel's Bookaway Group and the purchase of a solar farm project in Romania by Nofar Energy of Israel.

In terms of economic maturity, CEE countries span a wide spectrum but, says Glass, Israeli investors are just as happy in those classed as emerging markets as those categorised as developed. One of the reasons, he explains, is that Israel itself is a hybrid, with some elements of a mature economy sitting alongside those of a less developed, emerging economy.

Glass says: "Israelis have a different attitude to risk which is why they have the finest entrepreneurial talent in the world. In many ways it is a very advanced economy but, in others, such as growth rates and technology, it has all the attributes of an emerging market. Because they are used to emerging market norms, they're comfortable investing in other emerging markets whether in South America, Africa or CEE. It does not pose any problems or any fear for them."

And if the global perception of some emerging European countries is that they bring a higher level of risk and that in turn deters international investors, that is helpful as far as Israelis are concerned, argues Glass.

Another reason that Israelis look outside their own borders is that, with a population of just over nine million people, Israel does not offer investors or businesses the opportunity to serve a mass market at home. Glass says: "There's no way to build a large software business serving just the Israeli market, so they have to look abroad. That's so different from, say, the UK where a company would develop their own domestic market and then look overseas. Israelis don't think twice about jumping on a plane to do business. It's not unusual to have an Israeli company that does all its business outside Israel. The US is the number one market and has a pretty similar business culture."

CEE has the advantage of being just a short flight away, though the region does bring its own challenges with different languages, business cultures and legal systems. The distinction between EU and non-EU membership is not a major issue, according to Glass, though the consistency of rules that EU membership offers and the resulting benefits of financial passporting and data regulation, for example, mean that EU membership is rarely going to be a disadvantage.

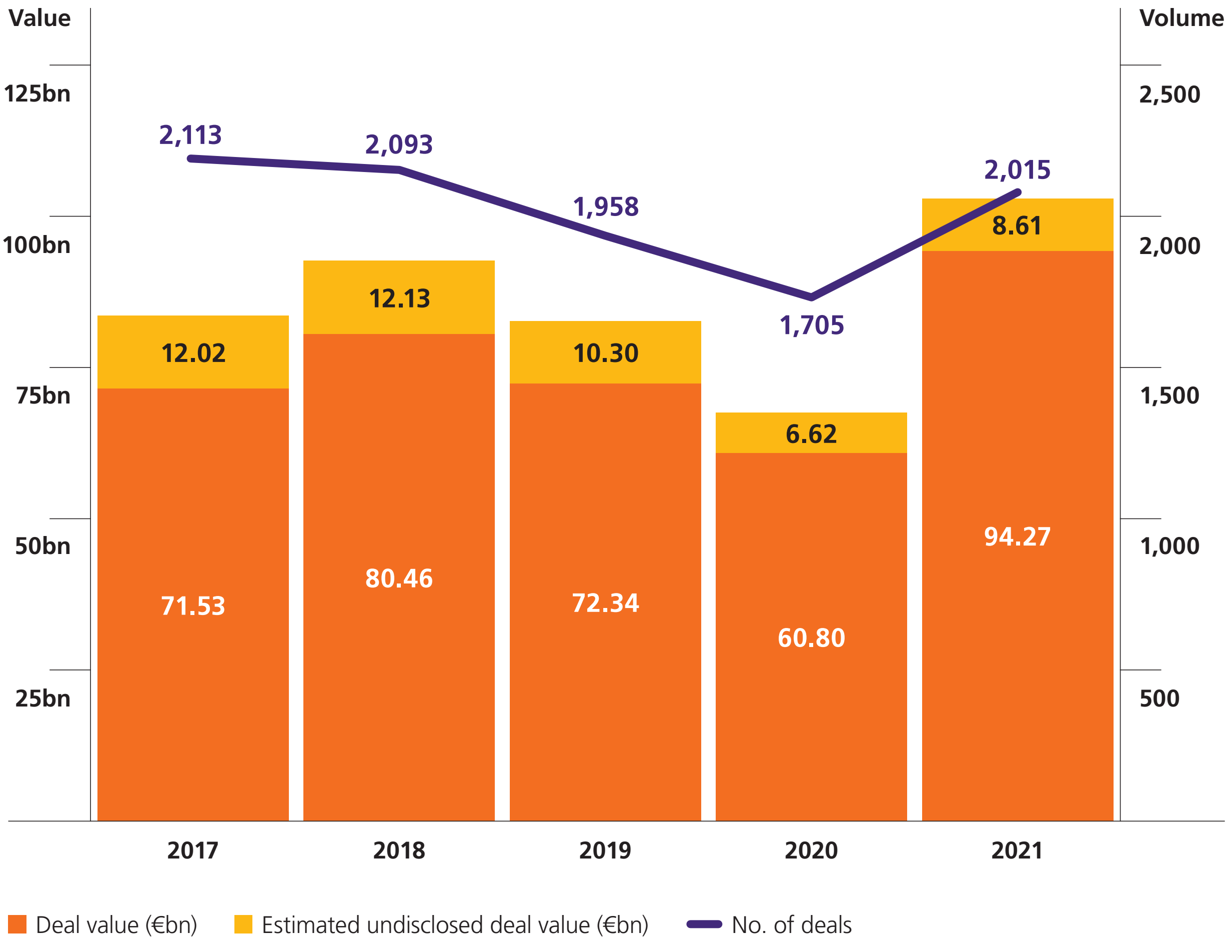
CMS has worked with Israeli clients across its international offices, on matters including technology-driven M&A, energy, hotels, capital markets, financial services and gambling regulation. To build on the success of the Israeli practice, CMS opened an office in Tel Aviv in October 2021, creating a platform for growth and deeper integration between the Middle East and Israeli practices. The office also creates a focal point for Israeli clients who operate in CEE and for CMS offices across the region so that companies and investors can draw on the expertise within CMS and tap into its network of contacts.

Looking ahead to 2022, Glass says: "Israeli investors have a good affinity with emerging markets and with CEE in particular. There is a strong interest in the region and plenty of enthusiasm for activity and I don't see any reason why that will change. If anything I expect it to get stronger."

The data bank

Emerging Europe

Deals by value and volume



Top 3 sectors

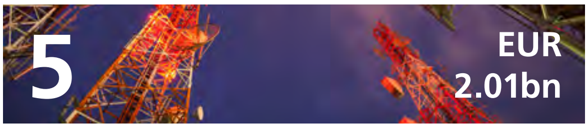
Top 10 deals

Target: **Avast Software**
Country of Target: **Czech Republic**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **NortonLifeLock**
(*Country of buyer:* **United States**)
Value source: ***Official data***

Target: **TAIF Group**
Country of Target: **Russia**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Sibur Holding**
(*Country of buyer:* **Russia**)
Value source: ***Official data***

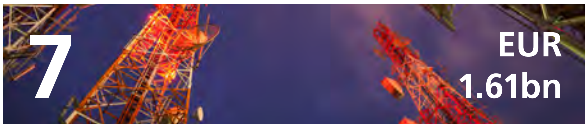
Target: **Vostok Oil**
Country of Target: **Russia**
Sector: **Mining (incl. oil & gas)**
Stake: **5%**
Buyer: **Vitol Group; Mercantile & Maritime**
(*Country of buyer:* **The Netherlands; Singapore**)
Value source: ***Market estimate***

Target: **Aviva Poland**
Country of Target: **Poland**
Sector: **Finance & Insurance**
Stake: **100%**
Buyer: **Allianz**
(*Country of buyer:* **Germany**)
Value source: ***Official data***

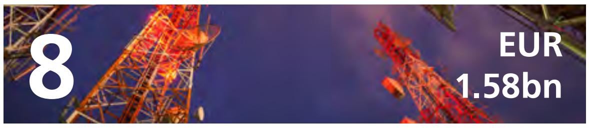


Target: **Ceska Telekomunikacni Infrastruktura (CETIN)**
Country of Target: **Czech Republic**
Sector: **Telecoms & IT**
Stake: **30%**
Buyer: **GIC**
(*Country of buyer:* **Singapore**)
Value source: ***EMIS estimate***[1]

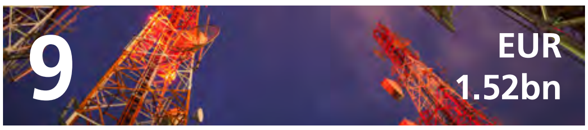
Target: **Eurocement Group**
Country of Target: **Russia**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Smikom Group**
(*Country of buyer:* **Russia**)
Value source: ***Market estimate***



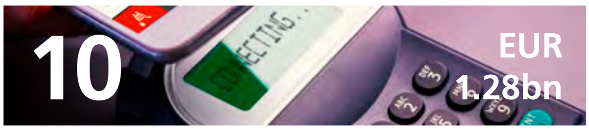
Target: **Nexters Global**
Country of Target: **Russia**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Kismet Capital Group; Kismet Acquisition One**
(*Country of buyer:* **Russia**)
Value source: ***Official data***



Target: **Polkomtel Infrastruktura**
Country of Target: **Poland**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Cellnex**
(*Country of buyer:* **Spain**)
Value source: ***Official data***



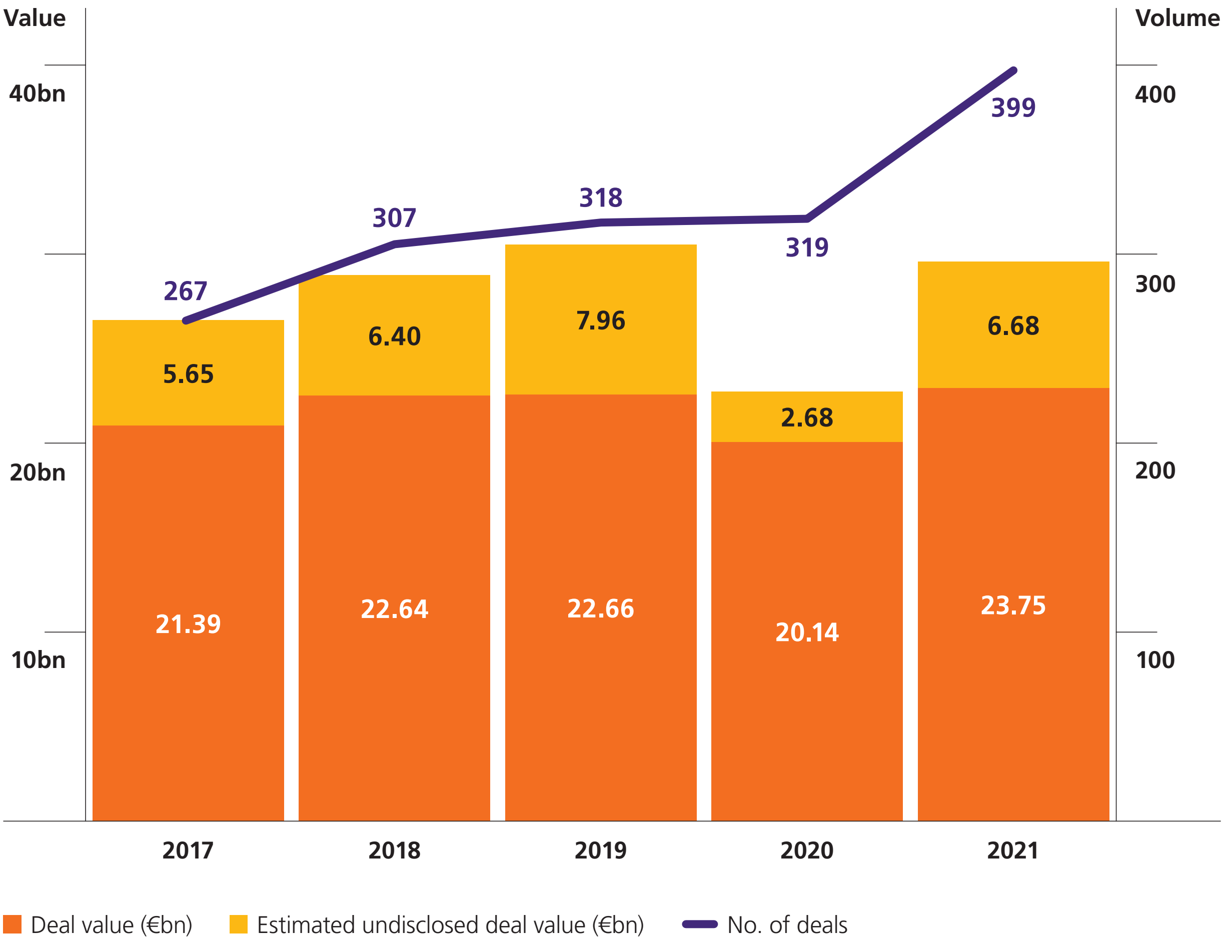
Target: **UPC Polska**
Country of Target: **Poland**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Iliad**
(*Country of buyer:* **France**)
Value source: ***Official data***



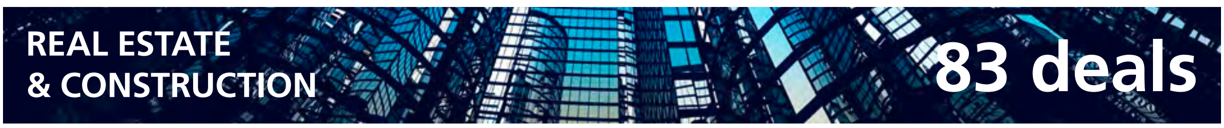
Target: **Trendyol.com**
Country of Target: **Turkey**
Sector: **Wholesale & Retail**
Stake: **9.1%**
Buyer: **Softbank Group; General Atlantic; Princeville Capital; Qatar Investment Authority; ADQ**
(*Country of buyer:* **Japan; United States; Qatar; United Arab Emirates**)
Value source: ***Official data***

Private equity

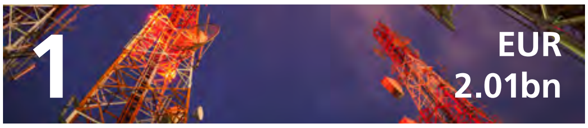
Deals by value and volume



Top 3 sectors



Top 10 deals (including new PE investments and PE exits)



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Country of Target: **Czech Republic**
Sector: **Telecoms & IT**
Stake: **30%**
Buyer: **GIC**
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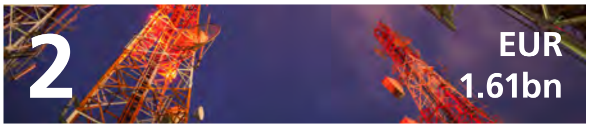
Value source: ***EMIS estimate***[1]



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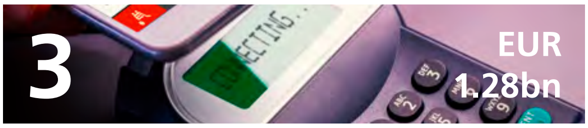
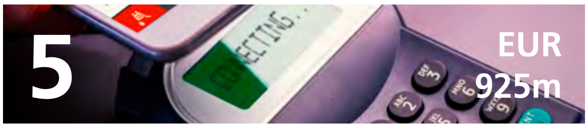
(*Country of buyer:* **Russia**)
Value source: ***Official data***



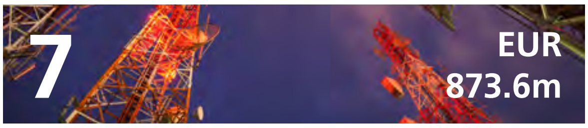
Target: **Trendyol.com**
Country of Target: **Turkey**
Sector: **Wholesale & Retail**
Stake: **9.1%**
Buyer: **Softbank Group; General Atlantic; Princeville Capital; Qatar Investment Authority; ADQ**
(*Country of buyer:* **Japan; United States; Qatar; United Arab Emirates**)
Value source: ***Official data***

Target: **Nova KBM**
Country of Target: **Slovenia**
Sector: **Finance & Insurance**
Stake: **100%**
Buyer: **OTP Bank**
(*Country of buyer:* **Hungary**)
Value source: ***Market estimate***



Target: **Mall Group; WE|DO CZ**
Country of Target: **Czech Republic**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Allegro.eu**
(*Country of buyer:* **Poland**)
Value source: ***Official data***

Target: **Prosveshcheniye Publishing House**
Country of Target: **Russia**
Sector: **Media & Publishing**
Stake: **75%**
Buyer: **Sberbank; VEB.RF; Russian Direct Investment Fund (RDIF)**
(*Country of buyer:* **Russia**)
Value source: ***Official data***



Target: **First Tower Company**
Country of Target: **Russia**
Sector: **Telecoms & IT**
Stake: **75%**
Buyer: **Kismet Capital Group; Vertical**
(*Country of buyer:* **Russia**)
Value source: ***Official data***

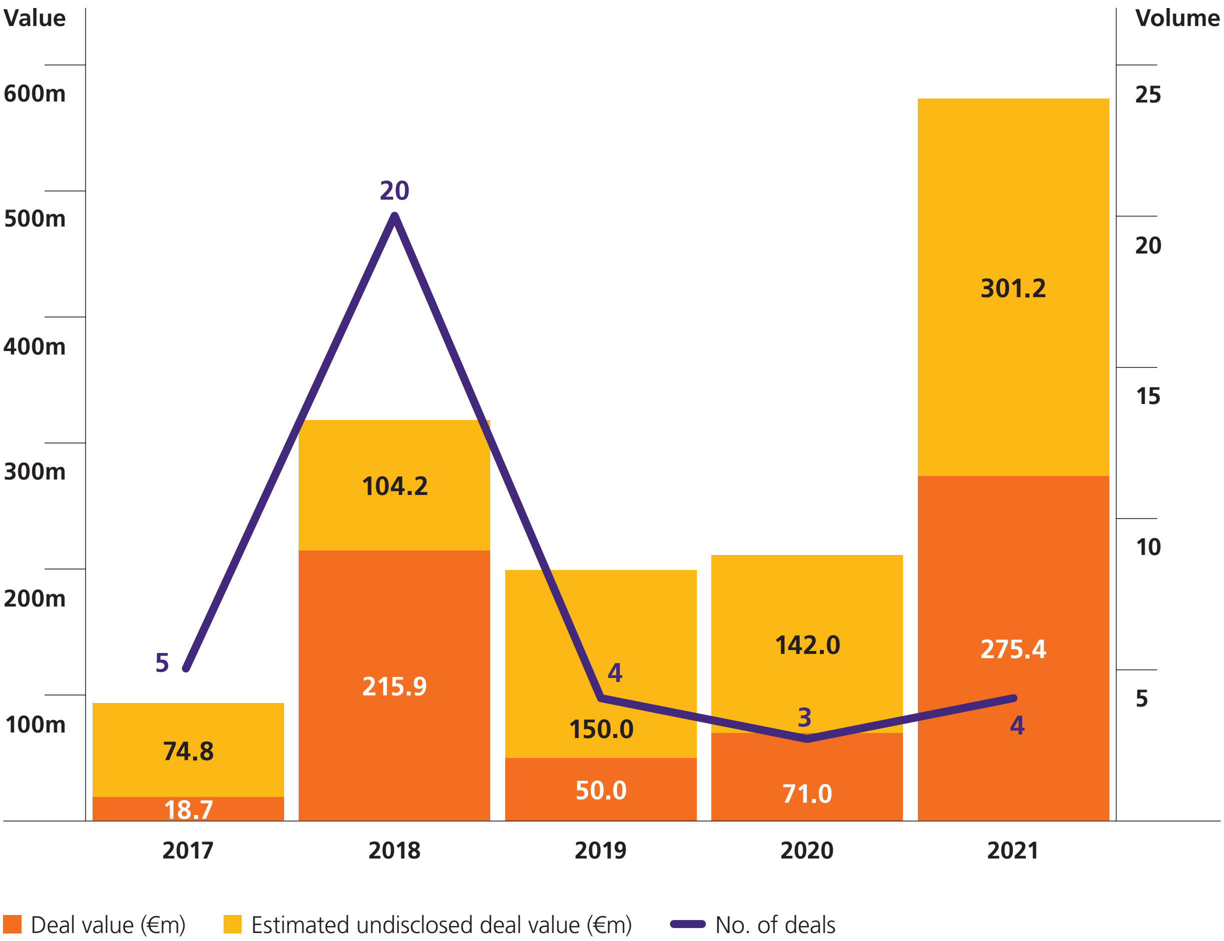
Target: **Baltic District Heating Platform of Fortum**
Country of Target: **Estonia; Latvia; Lithuania**
Sector: **Energy & Utilities**
Stake: **100%**
Buyer: **Partners Group**
(*Country of buyer:* **Switzerland**)
Value source: ***Official data***

Target: **Bolt**
Country of Target: **Estonia**
Sector: **Telecoms & IT**
Stake: **15%**
Buyer: **Tekne Capital Management; Sequoia Capital; Ghisallo; D1 Capital Partners; G Squared; Naya Capital Management**
(*Country of buyer:* **United States; United Kingdom**)
Value source: ***Official data***

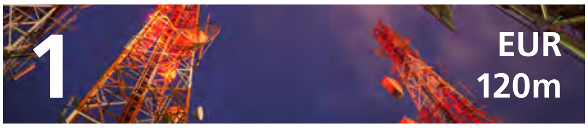
Target: **RFP Group**
Country of Target: **Russia**
Sector: **Agriculture & Farming**
Stake: **75%**
Buyer: **Iida Group Holdings**
(*Country of buyer:* **Japan**)
Value source: ***Official data***

Albania

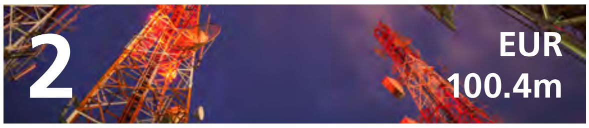
Deals by value and volume



Top 3 deals



Target: **ONE Telecommunications**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **4iG**
(*Country of buyer:* **Hungary**)
Value source: ***Market estimate***



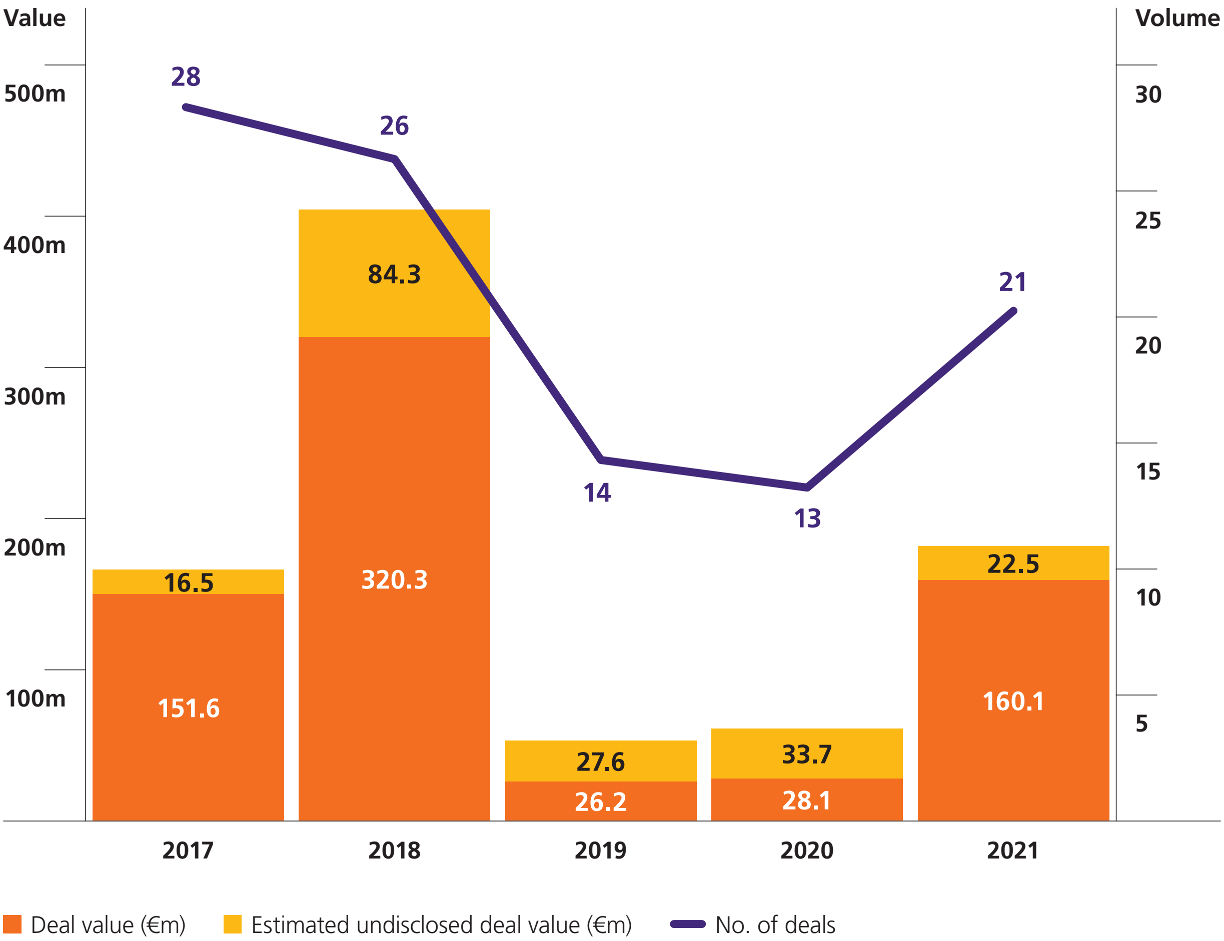
Target: **ALBtelecom**
Sector: **Telecoms & IT**
Stake: **80.3%**
Buyer: **4iG**
(*Country of buyer:* **Hungary**)
Value source: ***EMIS estimate***[1]

Target: **Alpha Bank Albania**
Sector: **Finance & Insurance**
Stake: **100%**
Buyer: **OTP Bank**
(*Country of buyer:* **Hungary**)
Value source: ***Official data***

Top 2 sectors

Bosnia and Herzegovina

Deals by value and volume



Top 5 deals

Target: **Frozen food business of Fortenova in Bosnia**
Sector: **Food & Beverage**
Stake: **100%**
Buyer: **Nomad Foods**
(*Country of buyer:* **United Kingdom**)
Value source: ***EMIS estimate***[1]

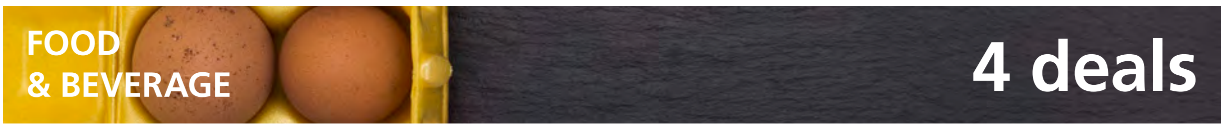
Target: **Adriatic Metals**
Sector: **Mining (incl. oil & gas)**
Stake: **9.2%**
Buyer: **Orion Resources Partners**
(*Country of buyer:* **United States**)
Value source: ***Official data***

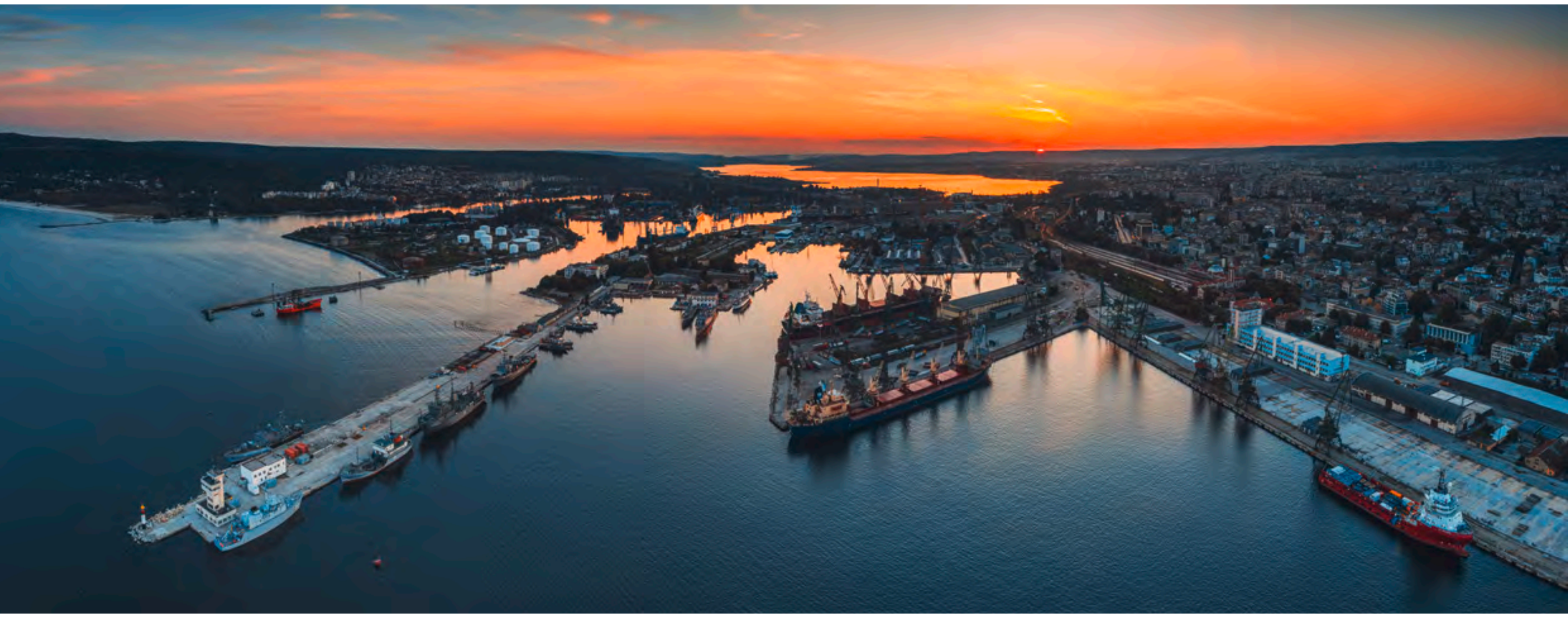
Target: **Former Retirement Home in Nedzarici district, Sarajevo**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **Mont-ing**
(*Country of buyer:* **Bosnia and Herzegovina**)
Value source: ***Official data***

Target: **Property of Feroelektra in Sarajevo**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **BBI Real Estate**
(*Country of buyer:* **Bosnia and Herzegovina**)
Value source: ***Official data***

Target: **ZTC Banja Vrucica**
Sector: **Real Estate & Construction**
Stake: **31%**
Buyer: **Pobjeda; Sloboprom**
(*Country of buyer:* **Bosnia and Herzegovina**)
Value source: ***Official data***

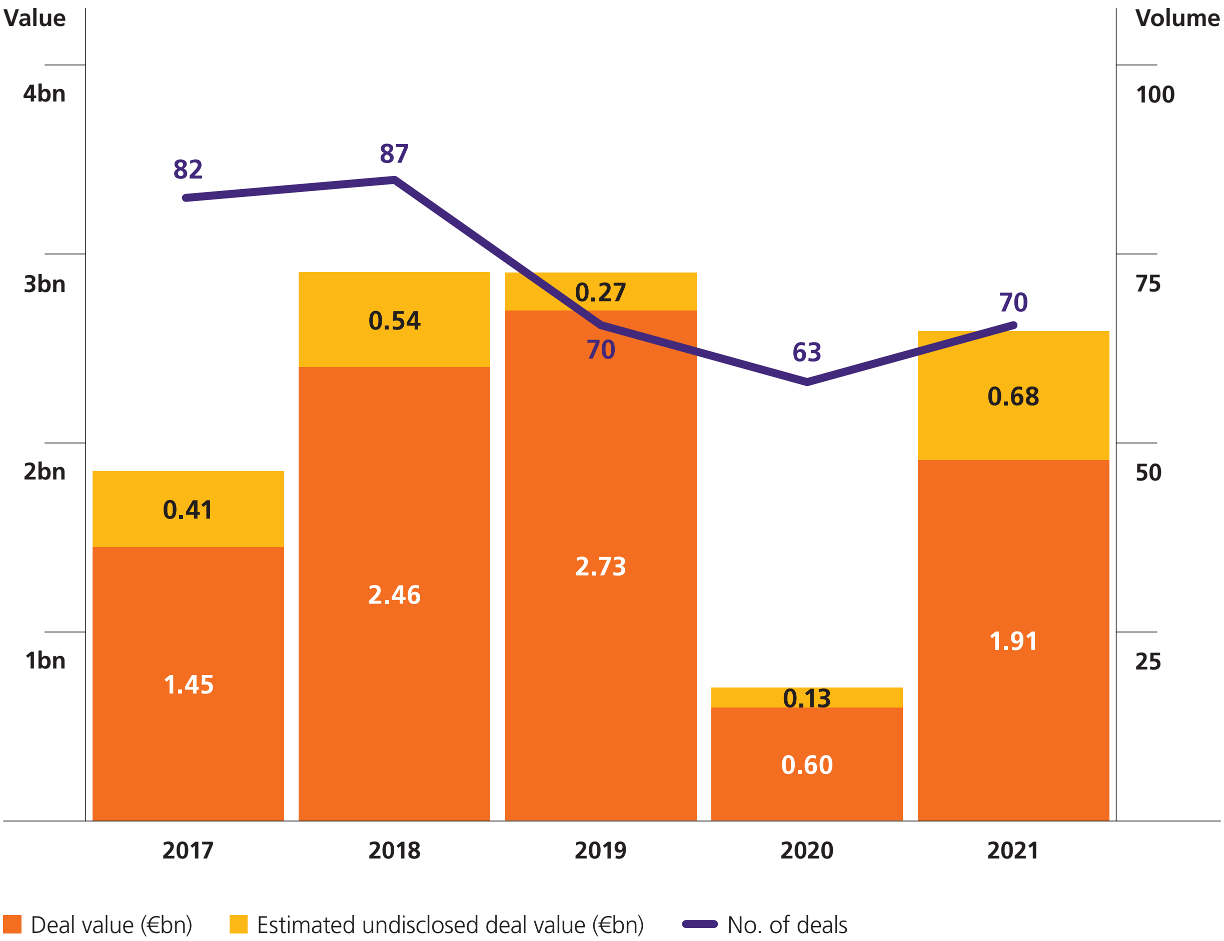
Top 3 sectors





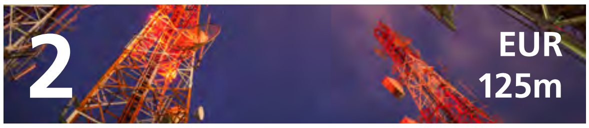
Bulgaria

Deals by value and volume



Top 5 deals

Target: **Raiffeisenbank Bulgaria**
Sector: **Finance & Insurance**
Stake: **100%**
Buyer: **KBC Group**
(*Country of buyer:* **Belgium**)
Value source: ***Official data***



Target: **Bulsatcom**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Spas Roussev - private investor**
(*Country of buyer:* **Bulgaria**)
Value source: ***Market estimate***

Target: **Gtmhub**
Sector: **Telecoms & IT**
Stake: **N/A**
Buyer: **Index Ventures; Insight Partners; Visionaries Club; Charles River Ventures; Singular**
(*Country of buyer:* **United Kingdom; United States; France**)
Value source: ***Official data***

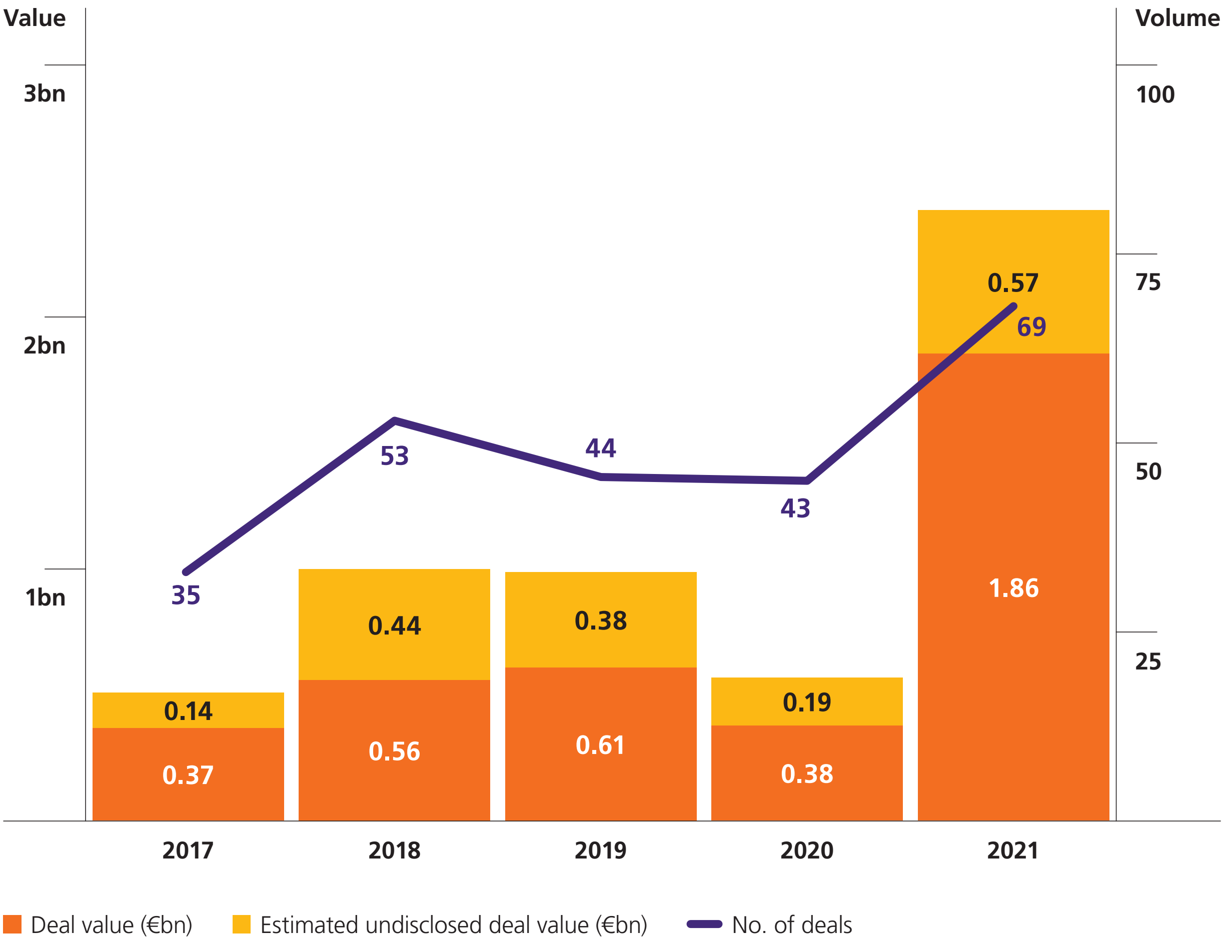
Target: **Overgas**
Sector: **Energy & Utilities**
Stake: **50%**
Buyer: **Overgas Holding**
(*Country of buyer:* **Bulgaria**)
Value source: ***Official data***

Target: **Payhawk**
Sector: **Telecoms & IT**
Stake: **19.7%**
Buyer: **Greenoaks Capital Management; QED Investors; Earlybird Venture Capital; Eleven Capital**
(*Country of buyer:* **United States; Germany; Bulgaria**)
Value source: ***Official data***

Top 3 sectors

Croatia

Deals by value and volume



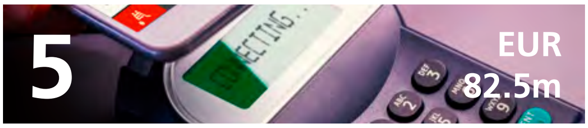
Top 5 deals

Target: **Frozen food business of Fortenova in Croatia**
Sector: **Food & Beverage**
Stake: **100%**
Buyer: **Nomad Foods**
(*Country of buyer:* **United Kingdom**)
Value source: ***EMIS estimate***[1]

Target: **Crodux Derivati Dva**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Petrol**
(*Country of buyer:* **Slovenia**)
Value source: ***Official data***

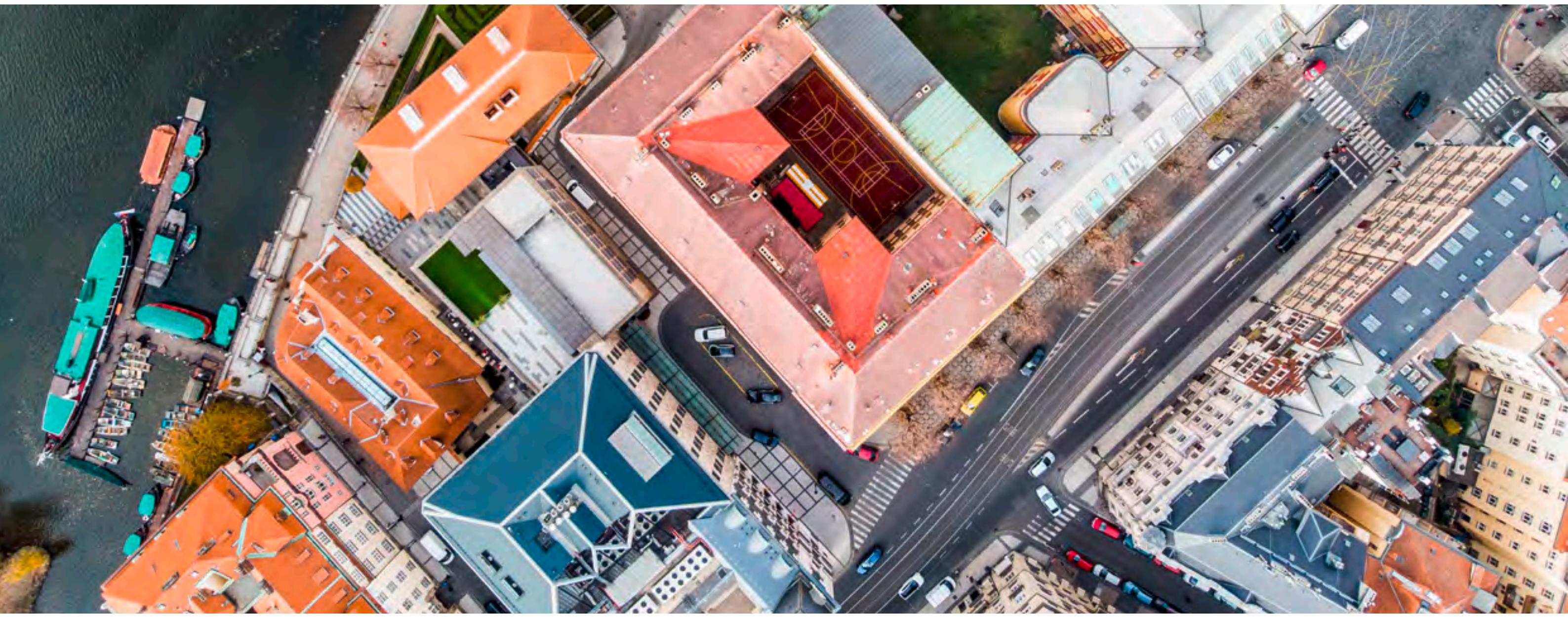
Target: **Pet Network International**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **A&M Capital Europe**
(*Country of buyer:* **United Kingdom**)
Value source: ***Market estimate***

Target: **Sunce Hoteli**
Sector: **Real Estate & Construction**
Stake: **69.7%**
Buyer: **Eagle Hills Properties**
(*Country of buyer:* **United Arab Emirates**)
Value source: ***EMIS estimate***[2]



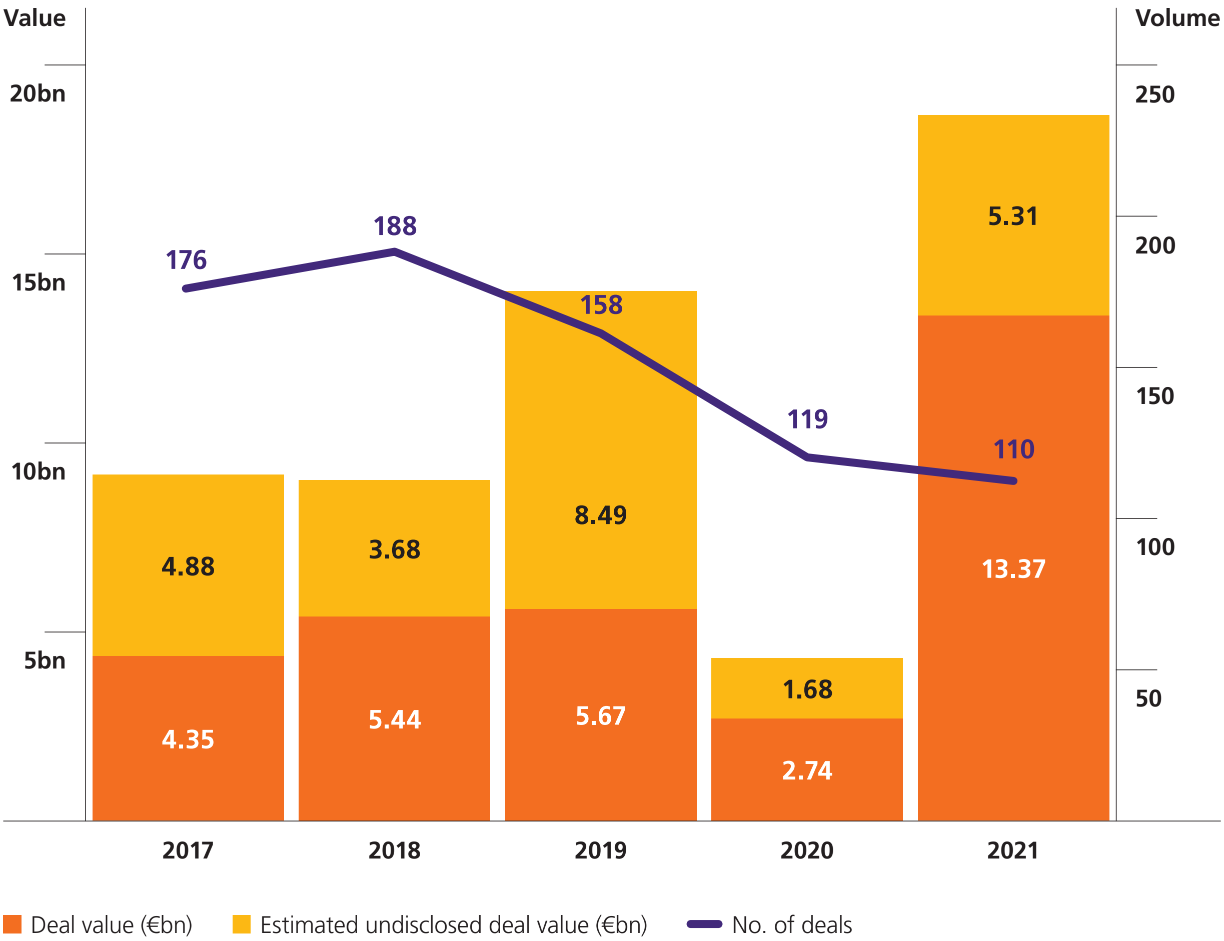
Target: **11 Emmezeta stores in Croatia**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Merkury Market**
(*Country of buyer:* **Poland**)
Value source: ***EMIS estimate***[3]

Top 3 sectors



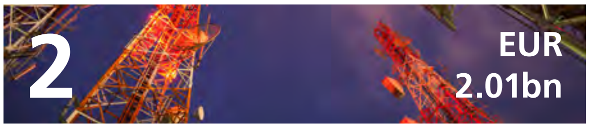
Czech Republic

Deals by value and volume

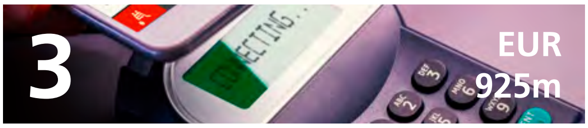


Top 5 deals

Target: **Avast Software**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **NortonLifeLock**
(*Country of buyer:* **United States**)
Value source: ***Official data***



Target: **Ceska Telekomunikacni Infrastruktura (CETIN)**
Sector: **Telecoms & IT**
Stake: **30%**
Buyer: **GIC**
(*Country of buyer:* **Singapore**)
Value source: ***EMIS estimate***[1]

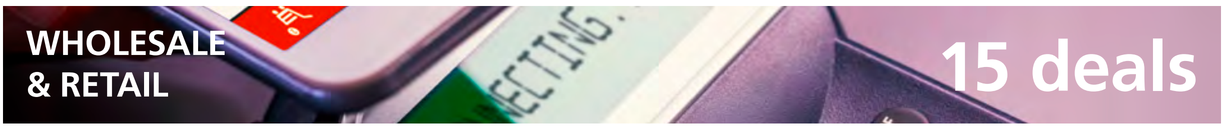


Target: **Mall Group; WE|DO CZ**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Allegro.eu**
(*Country of buyer:* **Poland**)
Value source: ***Official data***

Target: **Warehouses and production facilities in the Czech Republic and six other European countries**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **CGL Investment Holdings Corp**
(*Country of buyer:* **China**)
Value source: ***Market estimate***

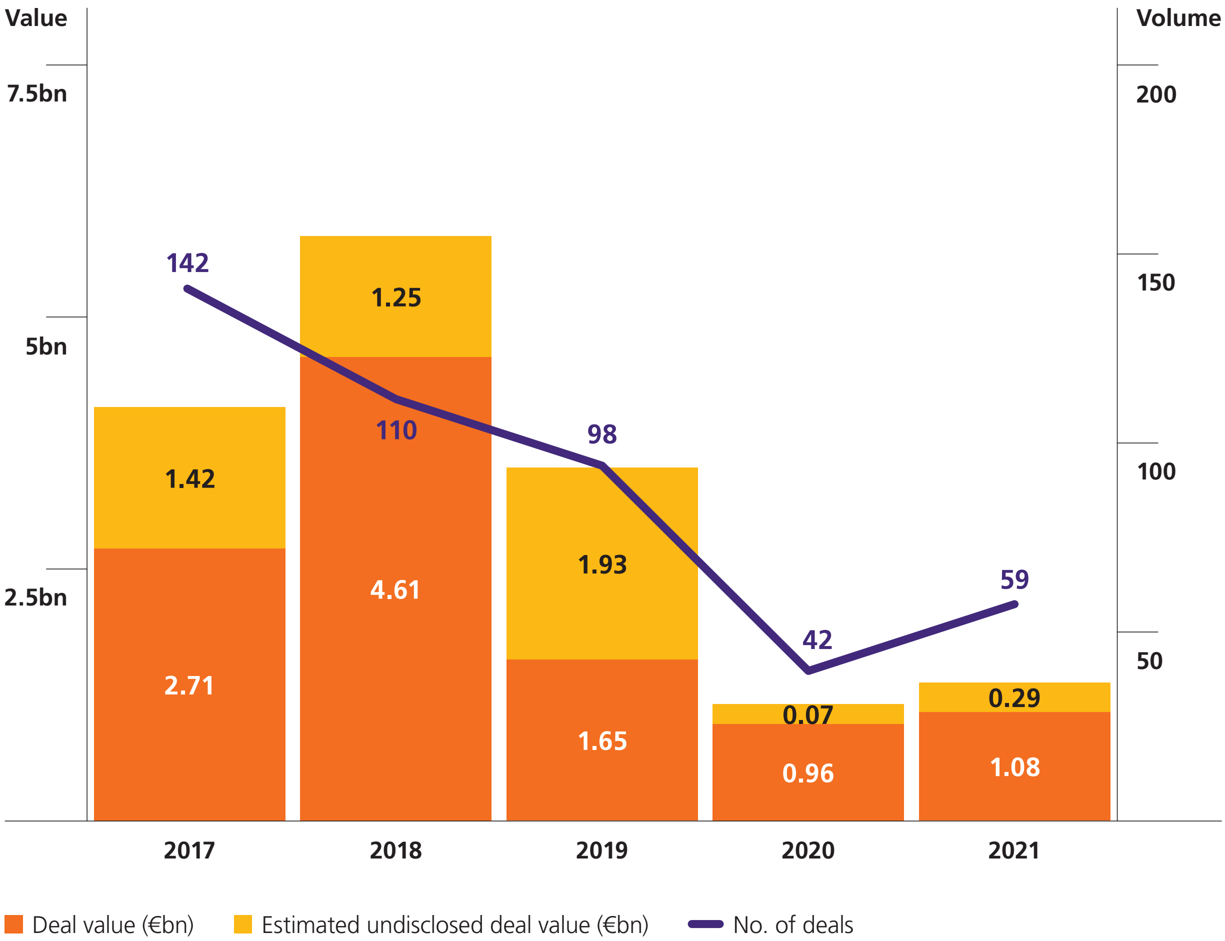
Target: **Moneta Money Bank**
Sector: **Finance & Insurance**
Stake: **28.4%**
Buyer: **PPF Group**
(*Country of buyer:* **Czech Republic; The Netherlands**)
Value source: ***Official data***

Top 3 sectors

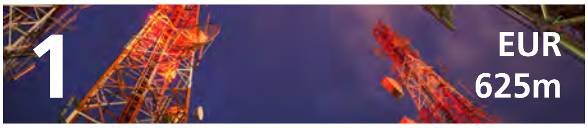


Hungary

Deals by value and volume



Top 5 deals



Target: **DIGI**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **4iG**
(*Country of buyer:* **Hungary**)
Value source: ***Official data***

Target: **Ericsson Headquarters office building in Budapest; Siemens Evosoft Headquarters office building in Budapest**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **Globe Trade Centre**
(*Country of buyer:* **Poland**)
Value source: ***Official data***

Target: **WebEye Telematics**
Sector: **Transportation & Logistics**
Stake: **100%**
Buyer: **Eurowag (WAG payment solutions)**
(*Country of buyer:* **Czech Republic**)
Value source: ***Official data***

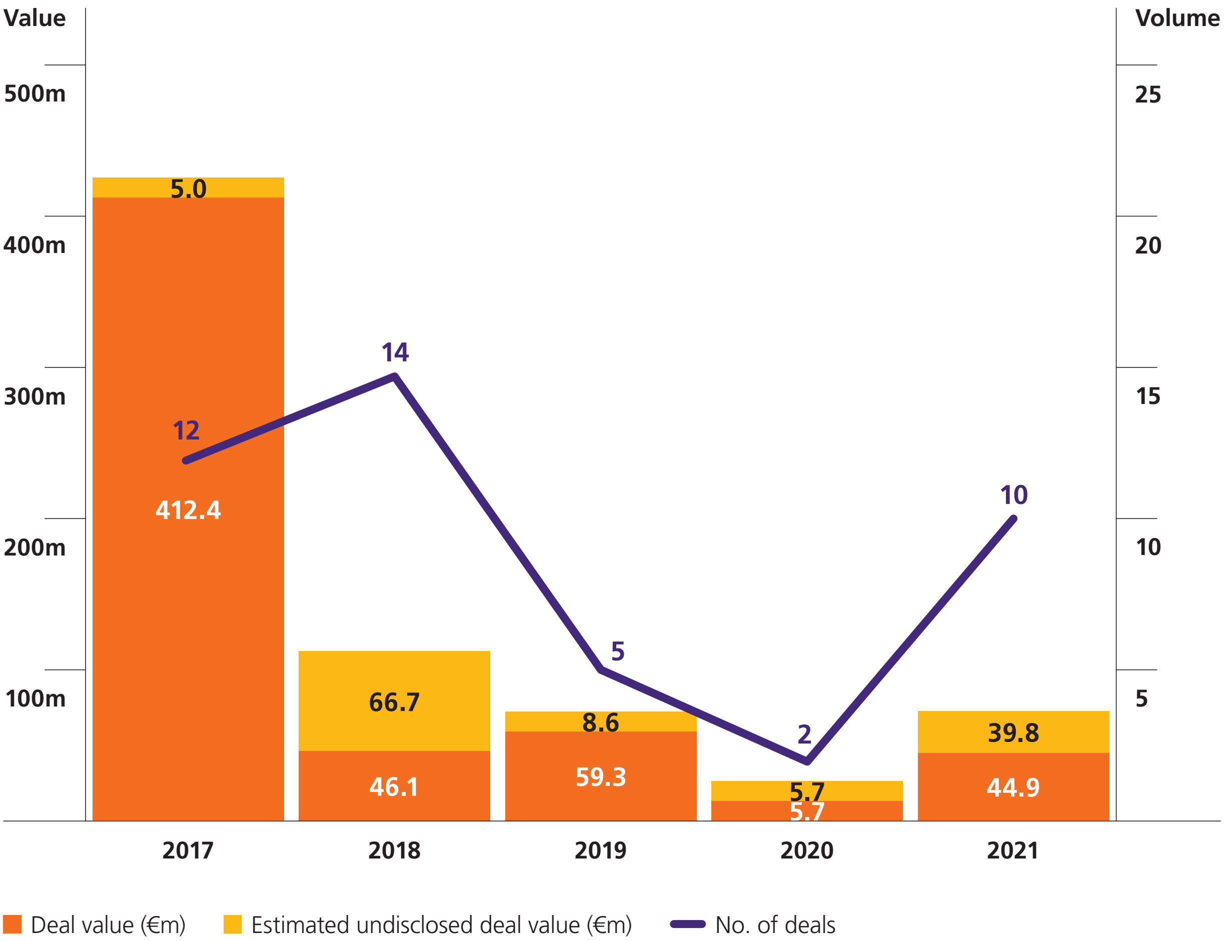
Target: **NEO Property Services**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **AKKO Invest**
(*Country of buyer:* **Hungary**)
Value source: ***Official data***

Target: **Budapest Metropolitan University**
Sector: **Education & Healthcare Services**
Stake: **100%**
Buyer: **Optima Befektetesi; Magyar Nemzeti Bank (MNB)**
(*Country of buyer:* **Hungary**)
Value source: ***Official data***

Top 3 sectors

Montenegro

Deals by value and volume



Top 3 deals

Target: **Uniprom - Metali**
Sector: **Mining (incl. oil & gas)**
Stake: **100%**
Buyer: **Bumech**
(*Country of buyer:* **Poland**)
Value source: ***Official data***

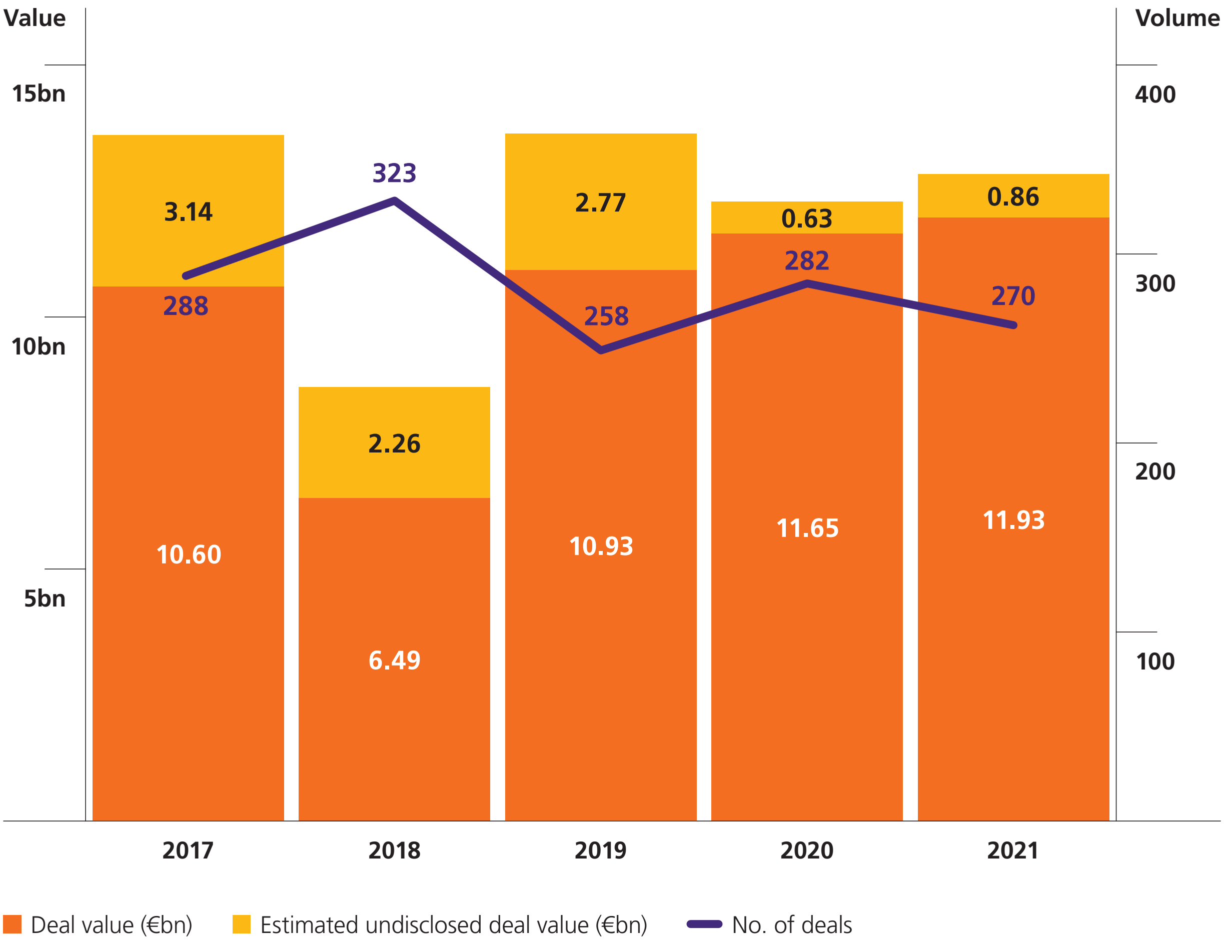
Target: **Crnogorski Elektroprenosni Sistem (CGES)**
Sector: **Energy & Utilities**
Stake: **5%**
Buyer: **Government of the Republic of Serbia**
(*Country of buyer:* **Serbia**)
Value source: ***Market estimate***

Target: **Budvanska Rivijera Hotel Group**
Sector: **Real Estate & Construction**
Stake: **12.1%**
Buyer: **MK Group**
(*Country of buyer:* **Serbia**)
Value source: ***EMIS estimate***[1]

Top 3 sectors

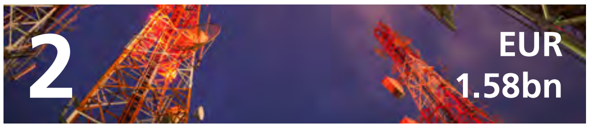
Poland

Deals by value and volume

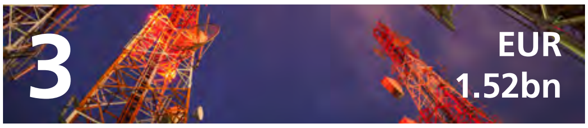


Top 5 deals

Target: **Aviva Poland**
Sector: **Finance & Insurance**
Stake: **100%**
Buyer: **Allianz**
(*Country of buyer:* **Germany**)
Value source: ***Official data***

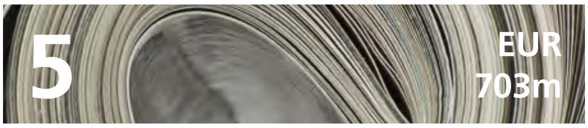


Target: **Polkomtel Infrastruktura**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Cellnex**
(*Country of buyer:* **Spain**)
Value source: ***Official data***



Target: **UPC Polska**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Iliad**
(*Country of buyer:* **France**)
Value source: ***Official data***

Target: **CEDC International**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Maspex**
(*Country of buyer:* **Poland**)
Value source: ***Market estimate***

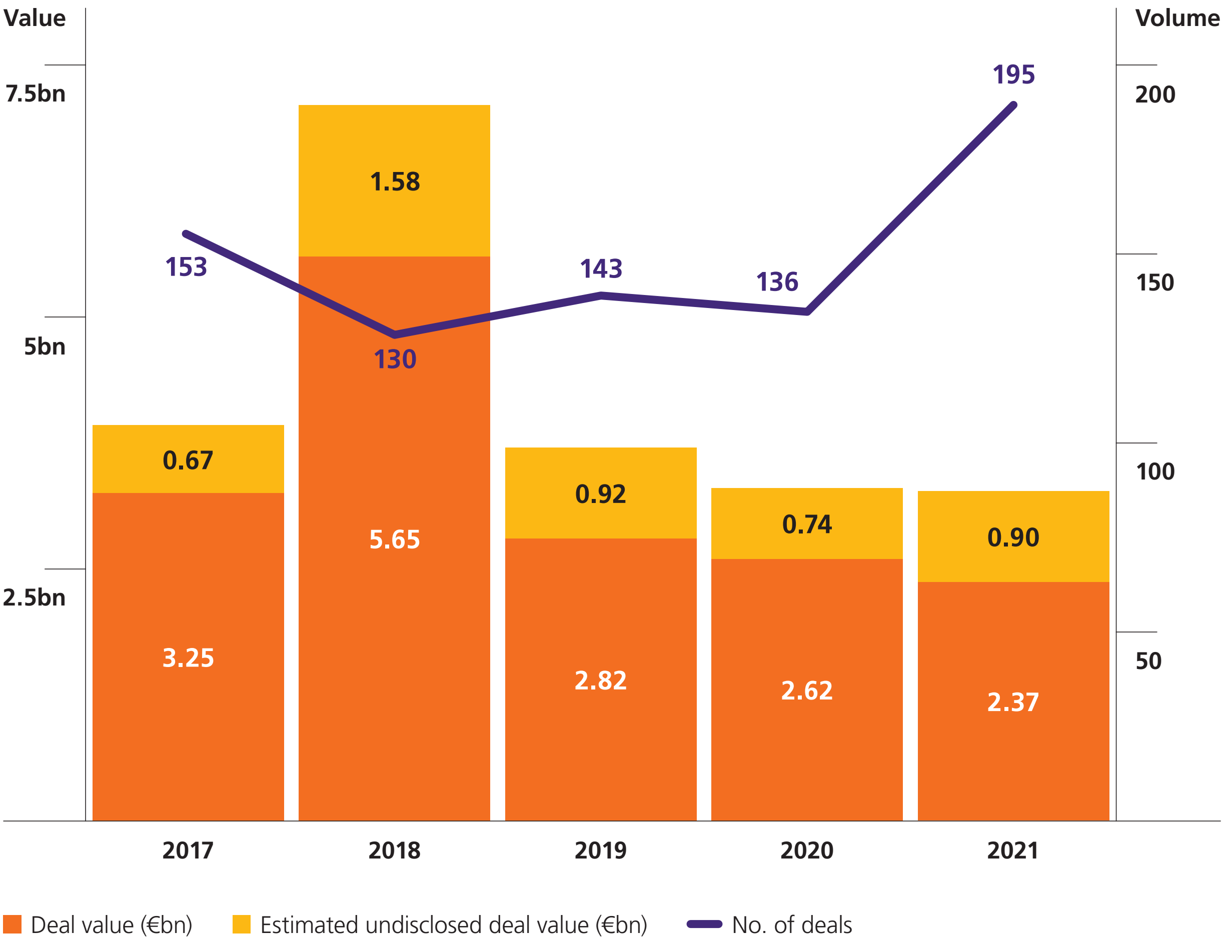


Target: **International Paper Kwidzyn**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Mayr-Melnhof Karton**
(*Country of buyer:* **Austria**)
Value source: ***Official data***

Top 3 sectors

Romania

Deals by value and volume



Top 5 deals

Target: **Neptun Deep Block**
Sector: **Mining (incl. oil & gas)**
Stake: **50%**
Buyer: **Romgaz**
(*Country of buyer:* **Romania**)
Value source: ***Market estimate***

Target: **Maxbet Romania**
Sector: **Other**
Stake: **100%**
Buyer: **Novalpina Capital**
(*Country of buyer:* **United Kingdom**)
Value source: ***Market estimate***

Target: **Hermes Business Campus**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **Adventum Investment Fund Management**
(*Country of buyer:* **Hungary**)
Value source: ***Market estimate***

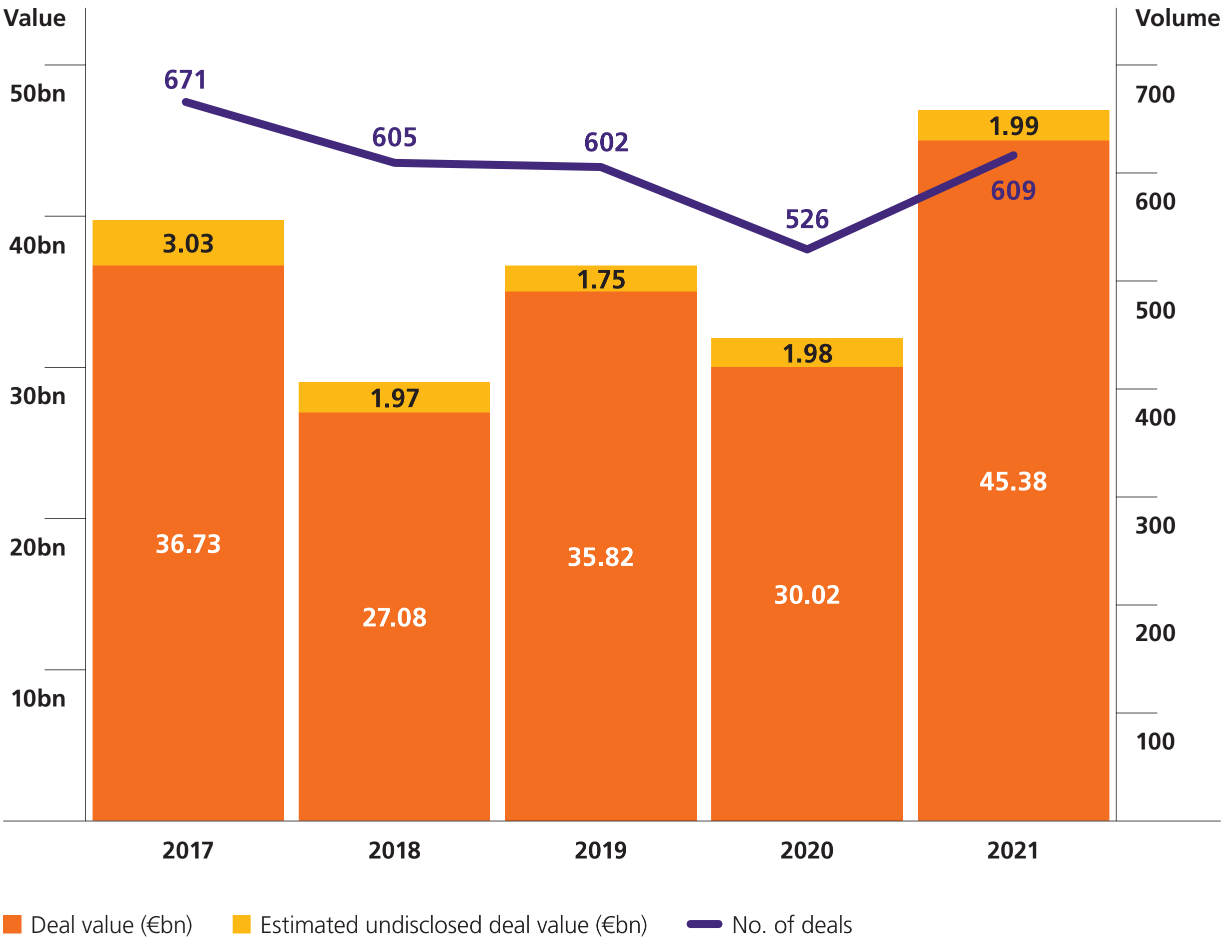
Target: **Porfolio of Louis Delhaize hypermarkets**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **Supernova**
(*Country of buyer:* **Austria**)
Value source: ***Market estimate***

Target: **Olympian Parks Timisoara; Olympian Park East Bucharest; Olympian Parks Brasov**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **CTP Invest**
(*Country of buyer:* **Czech Republic**)
Value source: ***Market estimate***

Top 3 sectors

Russia

Deals by value and volume

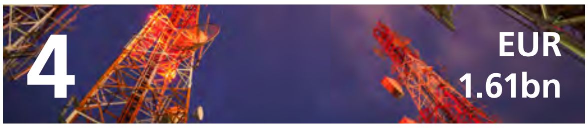


Top 5 deals

Target: **TAIF Group**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Sibur Holding**
(*Country of buyer:* **Russia**)
Value source: ***Official data***

Target: **Vostok Oil**
Sector: **Mining (incl. oil & gas)**
Stake: **5%**
Buyer: **Vitol Group; Mercantile & Maritime**
(*Country of buyer:* **The Netherlands; Singapore**)
Value source: ***Market estimate***

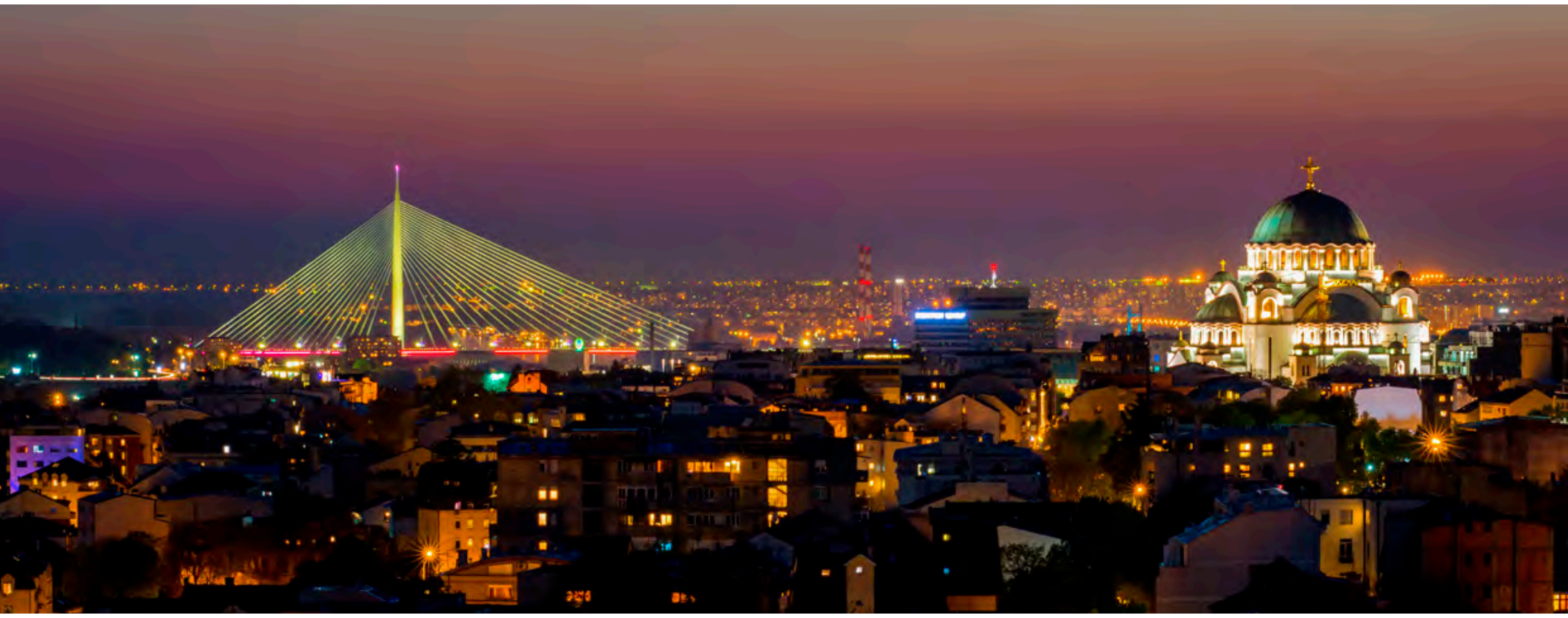
Target: **Eurocement Group**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Smikom Group**
(*Country of buyer:* **Russia**)
Value source: ***Market estimate***



Target: **Nexters Global**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Kismet Capital Group; Kismet Acquisition One**
(*Country of buyer:* **Russia**)
Value source: ***Official data***

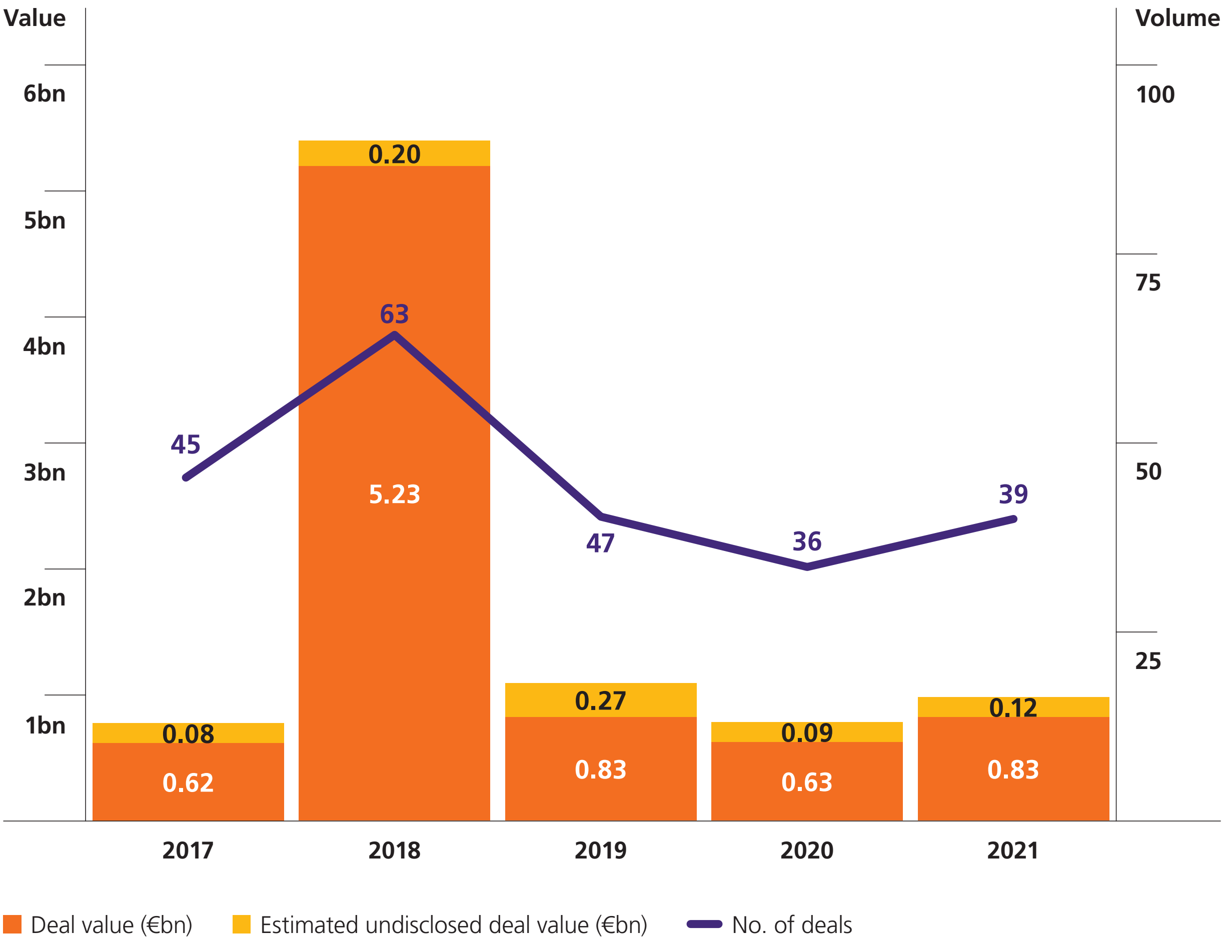
Target: **Antipinsky Refinery**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Rusinvest**
(*Country of buyer:* **Russia**)
Value source: ***Official data***

Top 3 sectors



Serbia

Deals by value and volume



Top 5 deals

Target: **Belgrade office portfolio of Globe Trade Centre**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **Indotek Group**
(*Country of buyer:* **Hungary**)
Value source: ***Official data***

Target: **Nordeus**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Take-Two Interactive Software**
(*Country of buyer:* **United States**)
Value source: ***Official data***

Target: **HIP - Petrohemija**
Sector: **Manufacturing**
Stake: **69.1%**
Buyer: **Naftna Industrija Srbije (NIS)**
(*Country of buyer:* **Serbia**)
Value source: ***Official data***

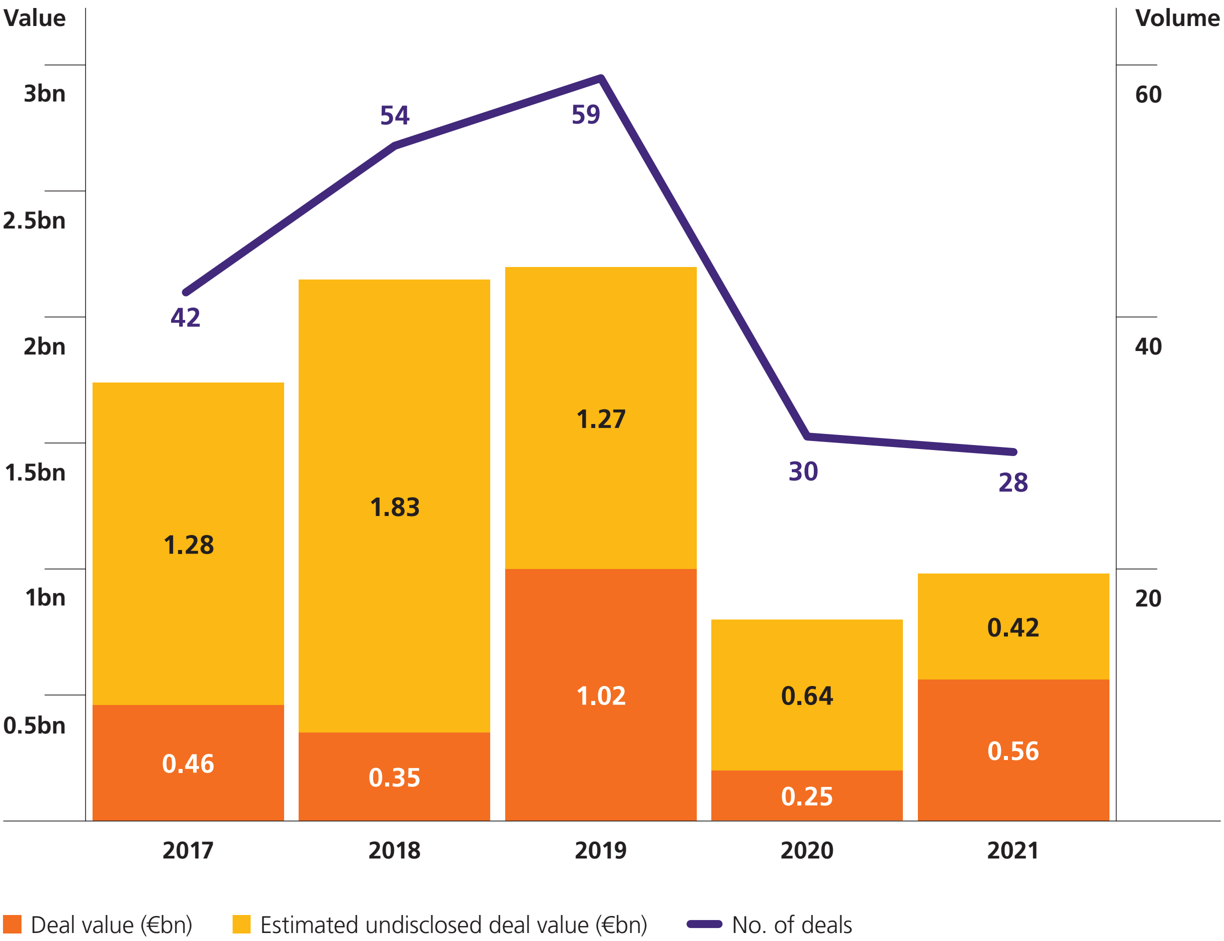
Target: **Kragujevac Plaza; Krusevac Shopping Park**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **CEE BIG**
(*Country of buyer:* **The Netherlands**)
Value source: ***Official data***

Target: **Frozen food business of Fortenova in Serbia**
Sector: **Food & Beverage**
Stake: **100%**
Buyer: **Nomad Foods**
(*Country of buyer:* **United Kingdom**)
Value source: ***EMIS estimate***[1]

Top 3 sectors

Slovakia

Deals by value and volume



Top 5 deals

Target: **Aupark shopping centre in Bratislava**
Sector: **Real Estate & Construction**
Stake: **60%**
Buyer: **Wood & Co; Tatra Asset Management**
(*Country of buyer:* **Czech Republic; Slovakia**)
Value source: ***Official data***

Target: **Bistro.sk**
Sector: **Transportation & Logistics**
Stake: **100%**
Buyer: **Just Eat Takeaway.com**
(*Country of buyer:* **The Netherlands**)
Value source: ***Official data***

Target: **FinGO**
Sector: **Finance & Insurance**
Stake: **40.6%**
Buyer: **Enterprise Investors**
(*Country of buyer:* **Poland**)
Value source: ***Official data***

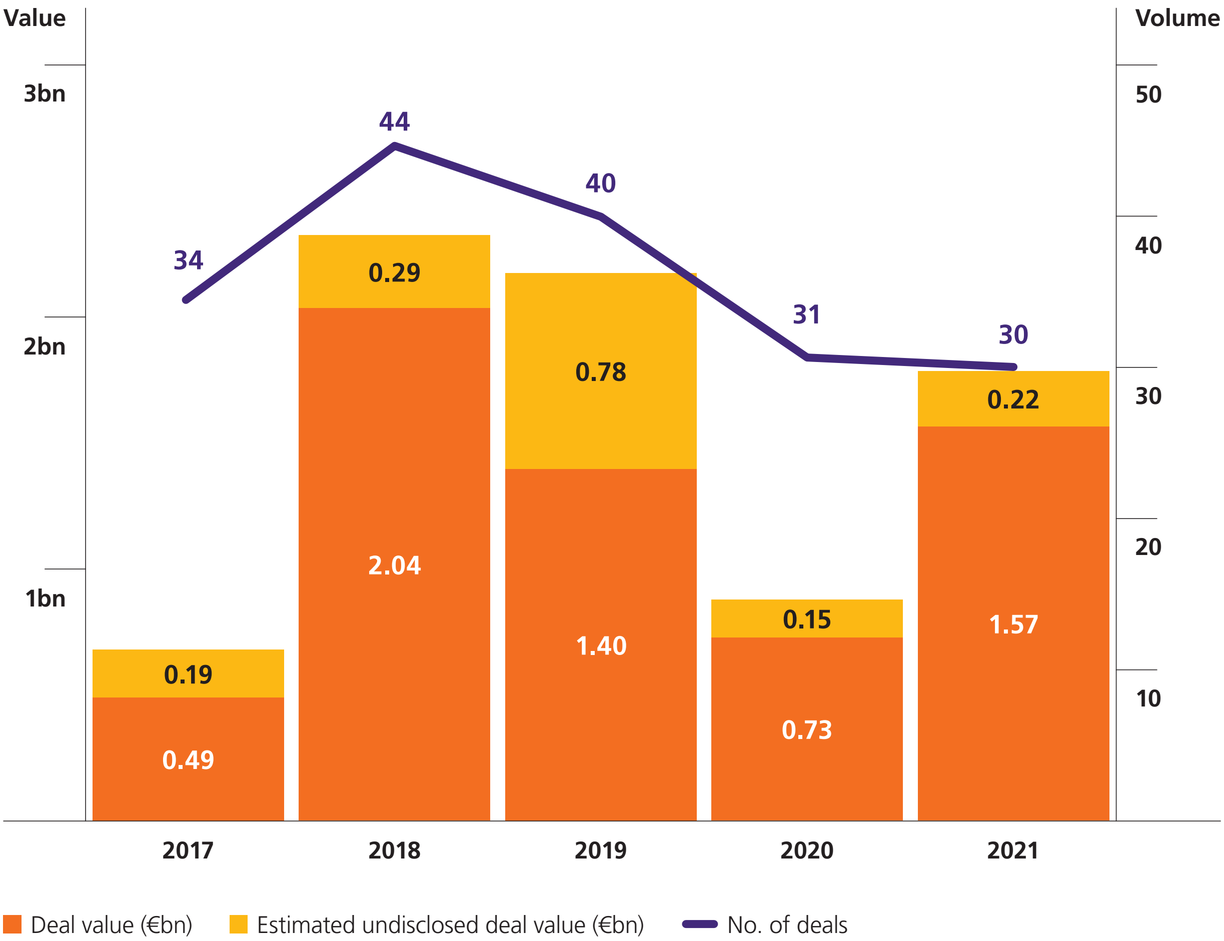
Target: **Photoneo**
Sector: **Telecoms & IT**
Stake: **N/A**
Buyer: **Earlybird Venture Capital; Credo Ventures**
(*Country of buyer:* **Germany; Czech Republic**)
Value source: ***Official data***

Target: **Nanogate Slovakia production plant in Vrable**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **Arete Property**
(*Country of buyer:* **Czech Republic**)
Value source: ***Market estimate***

Top 3 sectors

Slovenia

Deals by value and volume



Top 5 deals

Target: **Nova KBM**
Sector: **Finance & Insurance**
Stake: **100%**
Buyer: **OTP Bank**
(*Country of buyer:* **Hungary**)
Value source: ***Market estimate***

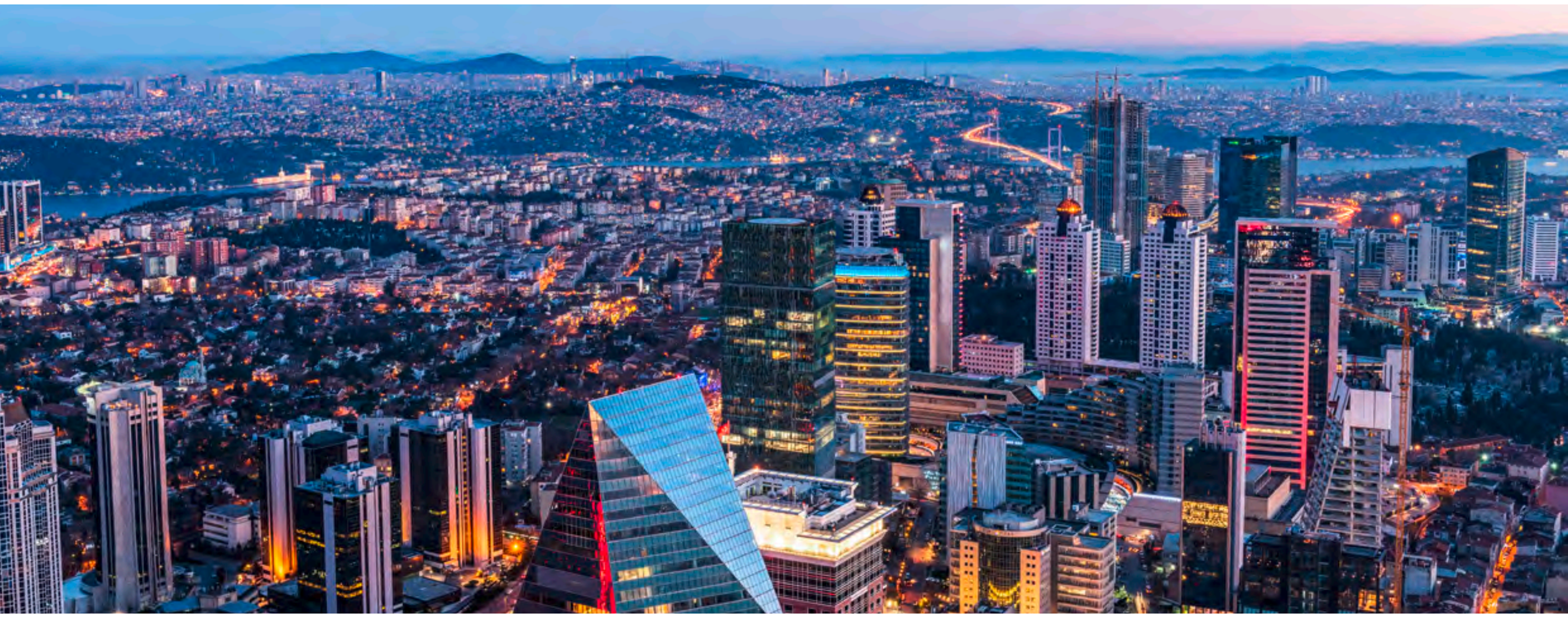
Target: **OMV Slovenija**
Sector: **Wholesale & Retail**
Stake: **92.3%**
Buyer: **MOL**
(*Country of buyer:* **Hungary**)
Value source: ***Official data***

Target: **JUB**
Sector: **Manufacturing**
Stake: **99.8%**
Buyer: **Nippon Paint Holdings**
(*Country of buyer:* **Japan**)
Value source: ***Official data***

Target: **Mercator**
Sector: **Wholesale & Retail**
Stake: **18.5%**
Buyer: **ForteNova Group**
(*Country of buyer:* **Croatia**)
Value source: ***EMIS estimate***[1]

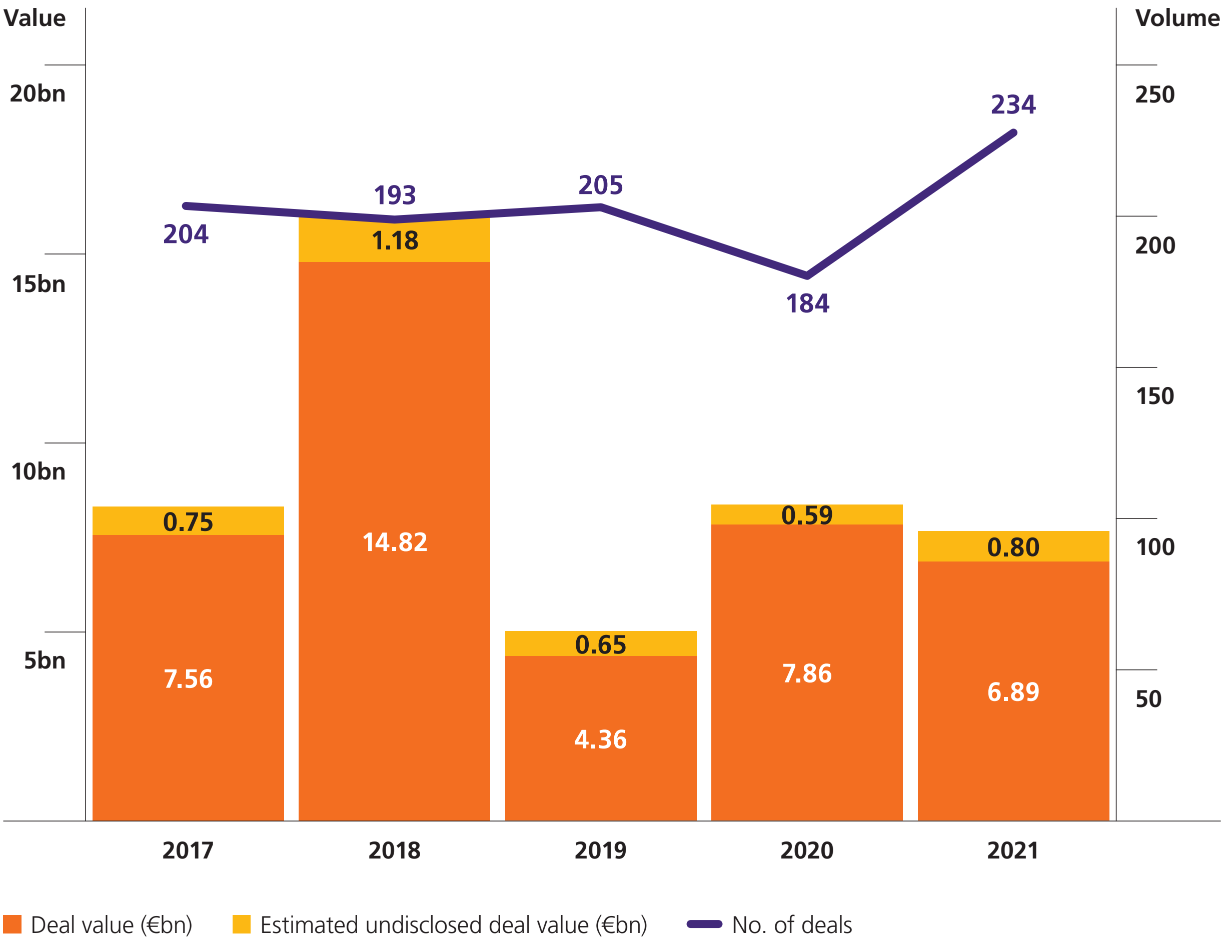
Target: **Marina Portoroz**
Sector: **Services**
Stake: **100%**
Buyer: **N/A**
(*Country of buyer:* **N/A**)
Value source: ***Market estimate***

Top 3 sectors

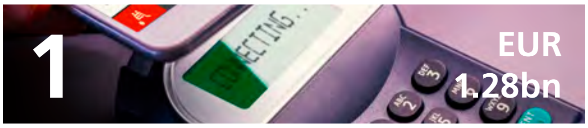


Turkey

Deals by value and volume



Top 5 deals



Target: **Trendyol.com**
Sector: **Wholesale & Retail**
Stake: **9.1%**
Buyer: **Softbank Group; General Atlantic; Princeville Capital; Qatar Investment Authority; ADQ**
(*Country of buyer:* **Japan; United States; Qatar; United Arab Emirates**)
Value source: ***Official data***

Target: **Getir**
Sector: **Transportation & Logistics**
Stake: **7.3%**
Buyer: **Mubadala Investment Company; ADQ; Silver Lake Partners; Sequoia Capital; Tiger Global Management**
(*Country of buyer:* **United Arab Emirates; United States**)
Value source: ***Official data***

Target: **Onem Gida**
Sector: **Food & Beverage**
Stake: **100%**
Buyer: **Ulker Biskuvi**
(*Country of buyer:* **Turkey**)
Value source: ***Official data***

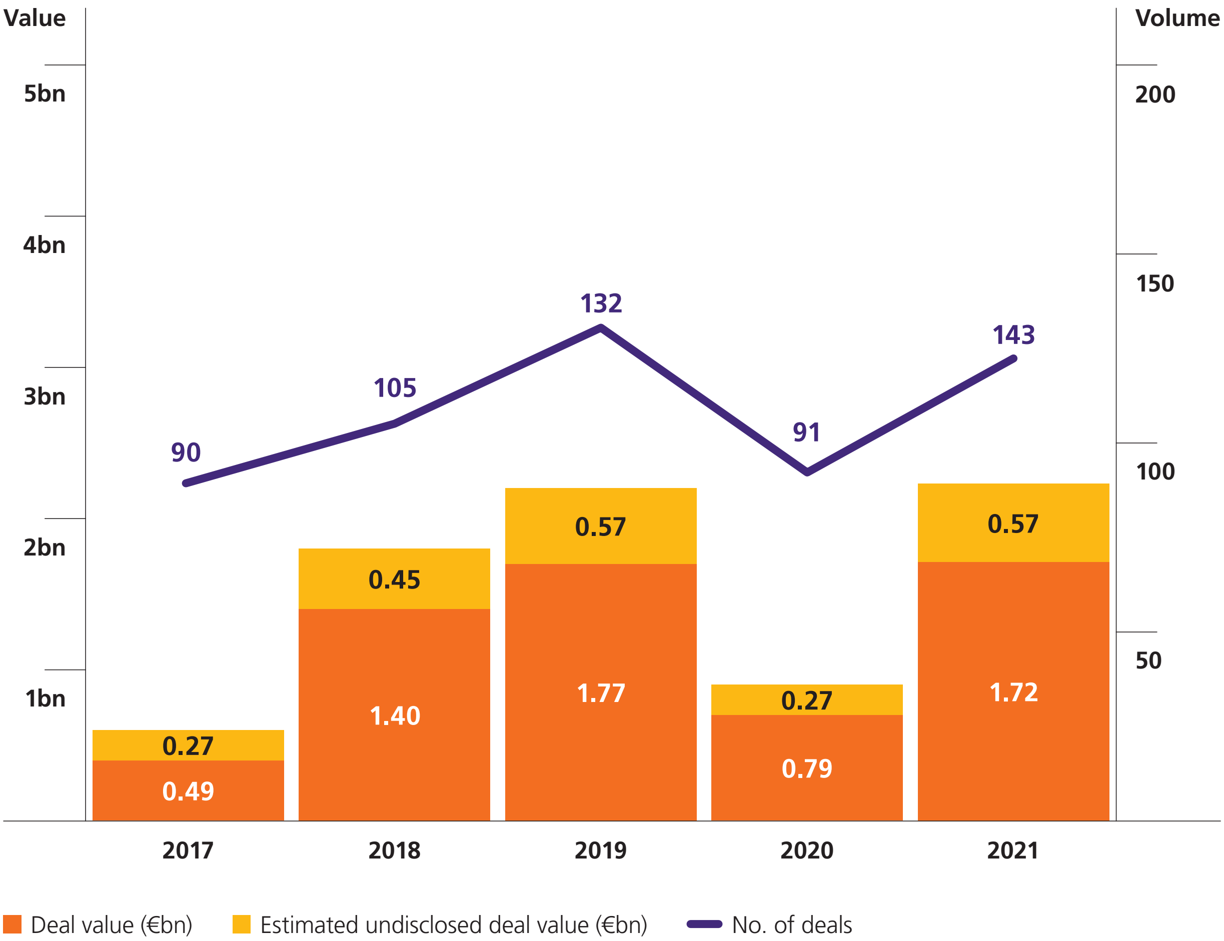
Target: **Elif Holding**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Huhtamaki**
(*Country of buyer:* **Finland**)
Value source: ***Official data***

Target: **Yapi ve Kredi Bankasi**
Sector: **Finance & Insurance**
Stake: **18%**[1]
Buyer: **Koc Holding**
(*Country of buyer:* **Turkey**)
Value source: ***Official data***

Top 3 sectors

Ukraine

Deals by value and volume



Top 5 deals

Target: **Ivano-FrankivskCement**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **NEQSOL Holding**
(*Country of buyer:* **Azerbaijan**)
Value source: ***Market estimate***

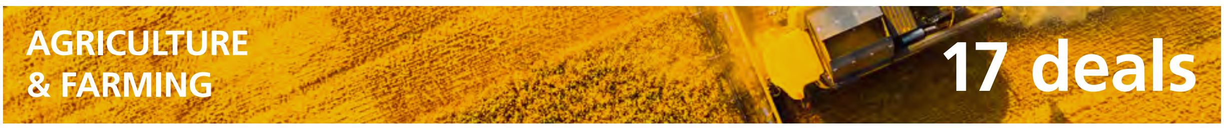
Target: **Dniprovsky Metallurgical Plant**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Metinvest Holding**
(*Country of buyer:* **Ukraine**)
Value source: ***Official data***

Target: **Pokrovske coal business**
Sector: **Mining (incl. oil & gas)**
Stake: **25.23%**[1]
Buyer: **Metinvest Holding**
(*Country of buyer:* **Ukraine**)
Value source: ***Market estimate***

Target: **SkyMall shopping and entertainment centre**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **Slavian**
(*Country of buyer:* **Ukraine**)
Value source: ***Market estimate***

Target: **Depositphotos**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **VistaPrint**
(*Country of buyer:* **The Netherlands**)
Value source: ***Official data***

Top 3 sectors



About CMS

Staff	*Lawyers*	*Partners*
> 8,000	**> 5,000**	**> 1,100**

52 new partners in 2021, taking the total to over 1,100

Operating in **74** **cities**

Across **45** **countries**

EUR 1.475bn
turnover for 2020

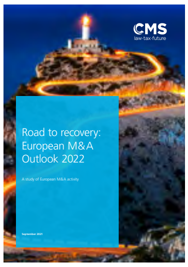
19 Practice and Sector Groups working across offices

Top rankings in M&A league tables by deal count
(Bloomberg, Mergermarket and Thomson Reuters)

- **#1 Germany, DACH, Austria**
- **#2 Europe, UK, Switzerland, Benelux**

Sharing knowledge

CMS European M&A Study 2021
This 2021 Study covers 408 share and asset deals on which CMS European offices advised in 2020. Notwithstanding the COVID-19 pandemic, which took over the world in 2020 and significantly slowed down the M&A deal market in the first half of the year, the market recovered strongly in the second half of the year, providing us with interesting insights on how the market and industries react to such extraordinary worldwide environment.



European M&A Outlook 2022
The report offers a comprehensive assessment of dealmaking sentiment in Europe's M&A market. It reflects the opinions of 330 corporates and PE firms based in Europe, the Americas and APAC about their expectations for the European M&A market in the year ahead.

CMS European Real Estate Deal Point Study 2021
For the latest edition of this survey of the European real estate transaction market, international commercial law firm CMS systematically assessed and evaluated more than 1,900 real estate agreements on which it advised in countries across Europe from the beginning of 2010 to the end of 2020.

CMS Funds Market Study 2021
This study analyses the key market trends in fund documentation of over 300 funds established in Europe, Asia, USA and offshore jurisdictions advised on by CMS offices throughout 2017 to 2020. We have also conducted client interviews, which are highlighted in this report, and conducted a selective survey of our international client base.

CMS Infrastructure Index
The infrastructure market has remained resilient in the face of COVID-19. The CMS Infrastructure Index has ranked 50 countries by their attractiveness for infrastructure investment and it paints a very positive picture. Singapore tops the leader board, bolstered by the unveiling of its Green Plan 2030 which aims to advance sustainable development and reduce the country's carbon footprint.

CEE Digital Horizons
Our latest addition to the Digital Horizons series explores the rise of CEE-based data centres. Data centres form another important feature of the CEE digital landscape. As big companies operating in Europe need to house increasing volumes of valuable data, CEE is an attractive option. In terms of cost, incentives and access to skilled IT labour, the CEE region provides significant opportunities to build safe, secure and cost-effective data centres.

Footnotes index

Emerging Europe Page 55
[1] The deal value is assumed to equal 30% of the Bloomberg estimated valuation of CETIN of EUR 6.7bn.

Private Equity Page 57
[1] The deal value is assumed to equal 30% of the Bloomberg estimated valuation of CETIN of EUR 6.7bn.

Albania Page 59
[1] Deal value estimate based on a similar transaction with the same buyer.

Bosnia and Herzegovina Page 61
[1] Deal value estimate based on Fortenova's number of employees in Bosnia.

Croatia Page 65
[1] Deal value estimate based on Fortenova's number of employees in Croatia.
[2] Deal value estimate based on the last available closing price per share prior the deal announcement.
[3] Deal value estimate based on the number of Emmezeta stores in Croatia out of the total sold in the deal.

Czech Republic Page 67
[1] The deal value is assumed to equal 30% of the Bloomberg estimated valuation of CETIN of EUR 6.7bn.

Montenegro Page 71
[1] Deal value estimate based on the last available closing price per share prior the deal announcement.

Serbia Page 79
[1] Deal value estimate based on Fortenova's number of employees in Serbia.

Slovenia Page 83
[1] Deal value estimate based on the last available closing price per share prior the deal announcement.

Turkey Page 85
[1] Following the deal, Koc Holding will become the majority owner.

Ukraine Page 87
[1] Following the deal, Metinvest Holding will become the majority owner.

Methodology

Deal Announcement Date: 01 January 2021 – 31 December 2021 (Note: signing is the key date; deals signed in 2020 but closed in 2021 count for last year).

Deal Region: Emerging Europe geographic area, understood as the dominant country of operations of the deal target or the location of its main assets, covers: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, North Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, and Ukraine.

Deal Value: at least USD 1m; for commercial real estate deals at least USD 5m (Note: Deals with undisclosed value were accounted for as having a value of zero, unless a publicly available market estimate was provided by a third-party, or a deal value could be estimated by EMIS. Such cases are clearly labelled in the report).

Private Equity: the category includes deals with the participation of private equity firms, sovereign investment funds, pension funds, private investment companies, asset managers, supranational finance institution, and large investment banks.

Real Estate: the category includes deals for commercial properties, property developers, construction companies, and real estate investment funds.

Exclusions: rumoured or failed deals, ECM deals, convertibles issues, NPL deals, share buybacks, internal restructurings, joint ventures, and employee offers.

Domestic / Cross-border: by domestic deals we understand those where the target, buyer and seller are from the same country. By cross-border deals we understand those where at least two different countries are involved on different sides of the deal.

Deal inclusion and categorization can be discretionary. The data can be subject to updates.

About CMS

Ranked as the world's fifth largest law firm by lawyer headcount and sixth largest in the UK by revenue, CMS can work for you in 40+ countries from 70+ offices worldwide. Globally 5,000+ lawyers offer future facing, business-focused advice tailored to our clients' needs, whether in local markets or across multiple jurisdictions.

Embedded within CEE for over 30 years, CMS advises global corporates and financial institutions from its 17 offices in the region. With over 100 partners and 500 lawyers based here, CMS has more offices and more lawyers in CEE than any other law firm. We regularly mobilise large international teams for complex cross-border deals and projects and can offer both local and international (UK and US) lawyers on the ground. Client come to us for our in depth understanding of the CEE markets and ability to provide specialised sector expertise delivered in the commercial setting of our client's business. Regionally, we advise on more deals in the region than any other firm, however, we are not just focused on large scale corporate M&A, we are a full service law firm and in fact the only firm in CEE to be acknowledged as a band 1 firm for every category for the CEE Chambers Global legal directory rankings.

About EMIS

EMIS is the world's leading provider of company, industry and country information on emerging markets. Part of ISI Emerging Markets Group, the company employs over 500 people in 19 countries around the world and provides critical intelligence to corporate, financial services, professional services, government and academic clients. The company was founded in 1994. Website: emis.com

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